

Retail Resources Section Strategic Planning & Development Wing Head Office, Bengaluru	Circular : IC / 53 / 2022 Index : DEP - 6 Date : 29.01.2022 A J P E
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SUBJECT :: Introduction of RERA Current Account - Product code 216

Synopsis

- ❖ CA Product for opening of RERA Current Accounts as per the RERA guidelines.
- ❖ Product caters the need of opening RERA accounts for various projects of builders.
- ❖ Automated funds flow from RERA Pooling account to RERA Designate account & regular Current account of Builders as per the extant guidelines

Real Estate Regulatory Authority was established as per the RERA Act 2016, for transparency in the real estate industry. The salient features of the act and procedure for registration with RERA is in **Annexure - I**.

In order to canvass maximum RERA account for individual projects of the builders (with implementation of RERA guidelines), a new current account product christened as RERA account (product code - 216) has been enabled. The account supports automated fund flows as per the RERA act.

❖ **ACCOUNT OPENING PROCEDURE & FEATURES:**

The Accounting process and standard operating procedure is elaborated below ::

RERA account can be opened by any Individual/Partnership firm or limited Liability Partnership / Company etc. who are carrying out their business transactions as per the Act.

KYC/AML norms of the account to be opened have to be strictly adhered to, including the authorized signatories & beneficial owner, etc. as per the extant guidelines.

In terms of RBI circular DOR.No.BP.BC.30/21.04.048/2020-21 dated 14.12.2020 regarding “Opening of Current Accounts by Banks - Need for Discipline” as per point number I Banks are permitted to open accounts for real estate projects mandated under Section 4 (2) I (D) of the Real Estate (Regulation and Development) Act, 2016 for the purpose of maintaining 70% of advance payments collected from the home buyers, without any restrictions

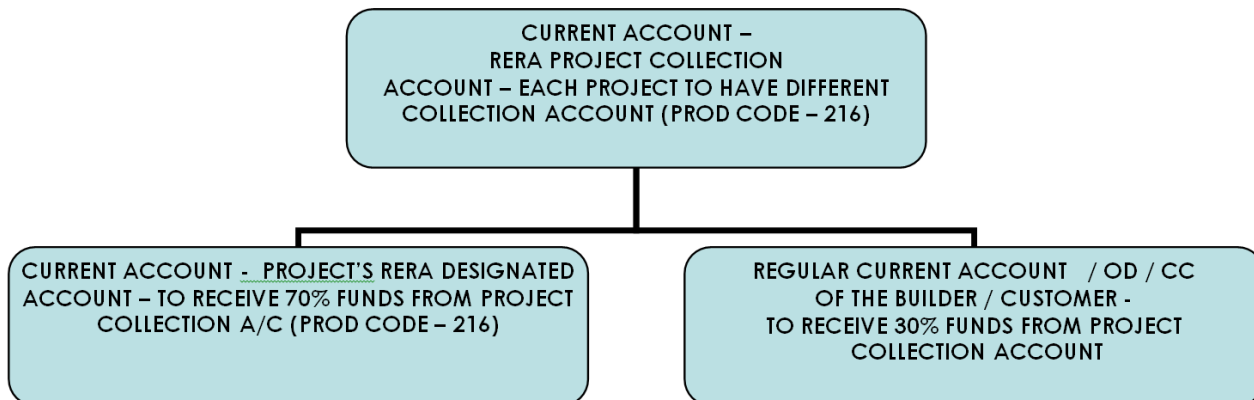
RERA Current Account scheme is a combination of three current accounts viz.

1. CA RERA collection account (Pooling account) :
2. CA Project’s RERA designated account :
3. Regular Current account of builder :

Each project shall have an individual collection account. The Customer will not be entitled to operate this Account. Also, this account shall not be provided with regular current account operating features such as - debit card / credit card, cheque book etc. However, customers may have only view access under internet banking & the same shall be provided at account opening stage by CPHs (if requested). This account is to be opened under product code 216.

- I. On receipt of collection proceeds of the project amount, deposited by the customer in the RERA collection account (Pooling account), seventy percent (70%) of the deposited amount in project Collection Account will be automatically remitted to project's RERA Designated Current Account (for the purpose of construction and land cost), remaining thirty percent (30%) of the deposited amount will be automatically remitted to customer's regular Current Account (as specified in the Request Letter) on a real time basis. However, realtor may decide for transfer of 30 % of collections to their operating CC / OD account instead of regular current account
 - As per section 4(2)(I)(D) first and second proviso, the realtor is required to withdraw the amounts from the Project's RERA designated Current account, to cover the cost of project, in proportion to the percentage of completion of project. In addition, the realtor is permitted to withdraw from the Project's RERA designated Current account to their (Builder's) Current Account after it is certified by an engineer, an architect and a chartered account in practice that the withdrawal is in proportion to the percentage of completion of the project.
 - As per section 4(2)(I)(D) third proviso, the realtor required to get his accounts audited within six months after the end of every financial year by a chartered accountant in practice, and shall produce a statement of accounts duly certified and signed by such chartered accountant and it shall be verified during the audit that the amounts collected for a particular project have been utilized for the project and the withdrawal has been in compliance with the proportion to the percentage of completion of the project.
 - The balance in project collection account will be zero at the end of each day.
- II. In RERA Designated account as well, the Customer shall not be provided with regular current account operating features such as - debit card / credit card, cheque book etc. However, customers may have only view access under internet banking & the same shall be provided at account opening stage (if requested). This account is also to be opened under product code 216 and is to be kept in No Debit status. The status is to be changed at the time of transactions at branches on production of stage-wise completion certificate. After transactions, the status is to be changed back again to no debit.

The Customer shall ensure that the operation and maintenance of the RERA Designated Account, including withdrawals/transfers of monies is in accordance to the applicable law and he / she shall indemnify the Bank for any acts of omission and commission under RERA provisions.



***All these three account should be opened in same customer ID.**

Required Documents for account opening::

New accounts under the Real Estate (Regulation and Development) Act, 2016 (RERA Act) can be opened only with the approval of legal section of concerned Circle office, after completing the due diligence including Beneficial Owner information of the accounts as per RBI regulations, regarding opening of Current Accounts depending upon the need of the realtor.

The list of documents to be obtained from the realtor for opening current account is provided in **Annexure - II(A)**.

A **Special Agreement between Bank and the realtor** has been drafted which contains the Indemnity clauses as well, wherein realtor will indemnify the Bank. It is provided in **Annexure - II(B)**.

The Agreement is a mandatory requirement as part of the documents to be executed for opening of RERA account. Necessary changes in the Agreement as per Local / state RERA Guidelines can be made in consultation with Legal section of respective Circle.

Checklist for opening RERA account is provided **Annexure - II(C)**. The checklist needs to be attached to the Account Opening Form.

Every State Government and Union Territory (UT) is required to promulgate their own Real Estate Rules which would be based on the lines of the central Real Estate (Regulation and Development) Act 2016, and establish a Real Estate Regulatory Authority ("RERA") pursuant to the Rules, which will administer the respective Real Estate Rules of the State or UT. Realtor's Current Account will be available only in States/UTs where the respective State/UT "RERA" is established. Therefore, before opening of RERA Account, Branches should ensure that "RERA" is established in the State/UT where the Branch is located.

Branches should ensure that there should be one designated Bank account for every registered project or registered phase of project and should maintain a Project wise separate file where all documents relating to the project should be filed. The custody of the file will be with the official nominated by the Branch in charge.

Realtor will submit the Names (with signature & seal), Address, Mobile Number and Registration Number of such Chartered Accountants, Architects and Engineers

appointed for the designated project, which should be recorded at the time of opening of the RERA Account and filed in the designated file for the project. Bank's concurrence for any change in CA/Engineer/Architect has to be obtained by the Realtor. Changes, if any, in the certifying entities will be recorded by Branch in Charge/Authorized Official and filed in the designated file.

Start date and End date of the Project has to be mentioned in designated file for the project.

As the RERA Current Account will entail multiple deposits in one account, these accounts will be categorized as High Risk Accounts.

Withdrawal from CA Project's RERA designated account:

Documents Required:

The realtor has to submit the following documents at the time of withdrawal from Account Project's RERA designated Current account.

Certificate from the Architect, Engineer and Chartered Accountant practicing, other than Statutory Auditor of realtor, as per format prescribed by the State RERA Authorities, attested by the Realtor.

For States, where formats of certificates have not been prescribed by RERA Authorities, Standard Formats of certificates to be used which is provided in **Annexure - II(D)**.

Withdrawal Form cum Undertaking certifying the genuineness of the CA's/Engineer's/Architect's certificates as per **Annexure - II(E)**

Due Diligence by Branch at the time of withdrawal:

- i. The Branch will cross check the names (with signature & seal), Address, Mobile Number and Registration Number of the CAs, Engineers, and Architects for the Project from the Designated File for the Project.
- ii. The withdrawal form will then have to be authorised by 2 officers i.e. the Current Account Desk Officer and Manager /Branch in Charge before executing the transaction.
- iii. The original withdrawal form with copies of certificates of CAs/Engineer/Architect should be filled in designated file for the Project and a copy of withdrawal form should be made part of voucher record.

Closure of Accounts:

RERA collection Current account (Pooling account) and Project's RERA designated Current account and should be closed after completion of the project. Closure of these accounts is permitted provided:

- i. The project has been completed and
- ii. Completion Certificate has been obtained from RERA/concerned Govt. Authorities.

Branches should keep a track of the accounts opened as well as end dates mentioned in designated file from time to time and follow up with the realtor for closure of the accounts once the project is completed.

Operations in Regular Current account will be subject to verification online / offline by Concurrent Auditors/Internal Auditors.

Cancellation of booking by Allottees:

As per MAHA-RERA, the amount to be paid to the Allottees on cancellation of the booking, is treated as the cost incurred for the project and certified by the CA / Engineer / Architect. The guidelines issued by other States if any will be applicable in respective states.

Freezing and de-freezing of accounts:

The State RERA Authority, upon the revocation of the registration of the customer, shall direct the bank holding the project bank account, specified under sub clause (D) of clause (I) of sub-section (2) of section 4 of the RERA Act, to freeze the account, and thereafter take such further necessary actions, including consequent de-freezing of the said account, towards facilitating the remaining development works in accordance with the provisions of section 8 of the Act.

The document covering the terms and conditions for opening the designated / Collection accounts is provided as Annexure - II(F) for approval as per the guidelines applicable in respective states.

Special cases:

Project financed by our Bank: 30% of the Collections from buyers as well as funds after withdrawal from CA Project's RERA designated account (70% of Collections) will be credited to the Escrow Account.

The funds from Escrow Account will be transferred to realtor operating Account i.e. Current Account/CC/Overdraft, after adjusting Bank's dues as per Terms and Conditions of sanction. This point has been elaborated in **Annexure - II(G)**.

Realtor is solely responsible for compliance of provisions of RERA Act 2016 for operations of RERA account. Depending on the Rules and Regulations prescribed by State/UT RERA Authorities, Branches may make necessary changes in the Specimen Agreement to incorporate clauses, if any, in consultation with Circle office legal section to safeguard Bank's interests.

These accounts will be subject to verification online / offline by Concurrent Auditor/Internal Auditor at quarterly intervals.

SYNOPSIS

Account Type	RERA Collection account	RERA Project Account	RERA Operative Account (Builders account)
Scheme Code	RCA	RPA	ROA
Product code	216	216	201 / 214
Eligibility	Realtor/Real Estate Developers etc. eligible for RERA Registration.		As applicable to Normal Current Account
Average Monthly Balance	N.A.		As applicable to Normal Current Account
Interest	No Interest is payable		
Charges	All debits of return clearing/wrong NEFT, RTGS adjustments. Cheque return charges to be adjusted from operative account (ROA) only.	All Charges to be debited/ adjusted from ROA only.	All Charges of RCA & RPA to be debited/ Adjusted from ROA.
Non home branch debit	Not allowed	Not allowed	As applicable to Normal Current Account
Alternate channel linkage	Disabled	Disabled	As applicable to Normal Current Account
Internet Banking	Only View Facility	Only View Facility	As applicable to Normal Current Account
Closure of Account	After Completion of the Project/Phase	After Completion of the Project	As per the discretion of The customer
Account Closure charges	Nil at present	Nil at present	As applicable to Normal Current Account
Rationale	To meet the requirements of Realtors who are looking for a product to meet the provisions of RERA Act 2016.		
Fee for managing the A/c	Usual account maintenance charges. No separate fee to manage the Account at present.		

RERA has opened a new avenue for our Bank to open current account of realtors. Therefore Branches and Marketing teams of ROs / COs are advised to canvass for opening RERA account with our bank in respect of all the project approved and financed by us.

As per the RERA act 2016 it is compulsory for all builders / developers to upload the information pertaining to their project like contact details, project site, area, number of flats, etc on the state / UT regulators website. The details can be downloaded from state Regulator's website by marketing officers and branches to approach developers for opening of RERA accounts.

CBS educative series for users / staffs for opening of RERA accounts and automation of funds flow are provided in **Annexure - II(H)**.

All Branches /COs / ROs / administrative office are advised to take note of the above act follow the guidelines scrupulously for opening of project specific RERA accounts of the builders.

B SUDHAKAR KOTARY
GENERAL MANAGER

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Realtors Current Account

(Real Estate (Regulation & Development) Act 2016)



Overview



GOI enacted RERA ACT 2016. The same came into effect w.e.f 01.05.2017

The act aims at bringing **transparency, financial discipline, and accountability** in the Real Estate Sector

Applicable to both residential & commercial real estate,

If proposed land area greater than 500sq.mtr or no of apartment proposed is greater than 8.

Each State and Union Territory will have its own Regulator & set of rules

Some states have notified the rules, others states are expected to do it in coming weeks

GOI has drafted rules for Union Territories including National Capital

Provisions under RERA

Realtors need to register with RERA and obtain a Registration No.

Minimum 70% of the proceeds from investors/buyers has to be deposited in a **Separate Current Account.**

Remaining 30% amount may be deposited in another separate account which can be used for day to day expenses.



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The proceeds from the Separate Current Account can be used for construction of the project and cost borne towards land



Cost of construction includes

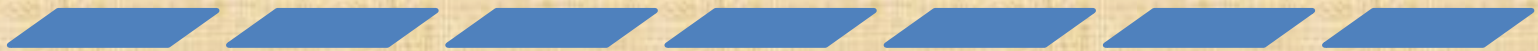
- Taxes, fees, charges, premium, interest, etc.
- Principal sum and interest paid/payable to any FI

Cost of construction does not include

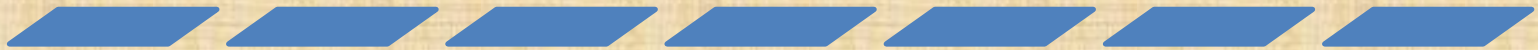
- Loan from FIs for purchase of land or for obtaining development rights

Benefits of RERA Act

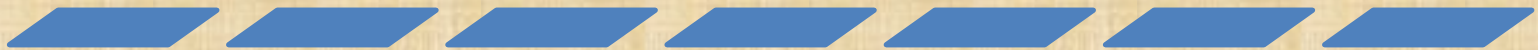
Easier access to Bank Finance



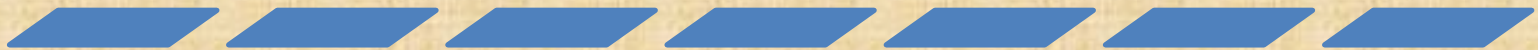
Rise in demand from home buyers



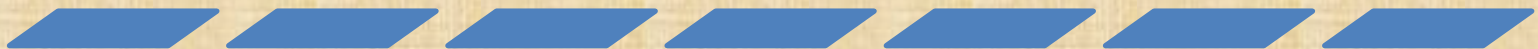
Faster sanction & disbursement of home loans



Weeding out of non-compliant builders



Ease of obtaining approvals from government authority



Proposed Separate Current Account



Agreement after incorporating the set of rules decided by the regulator of State/UT will be signed between the promoter and the bank for operation of Separate current account

Separate Current Account

- Promoters will approach branch for opening Separate Current Account
- Each project will have different separate current account
- 70% of the proceeds from the Buyers/Investor will be deposited in Separate Current Account

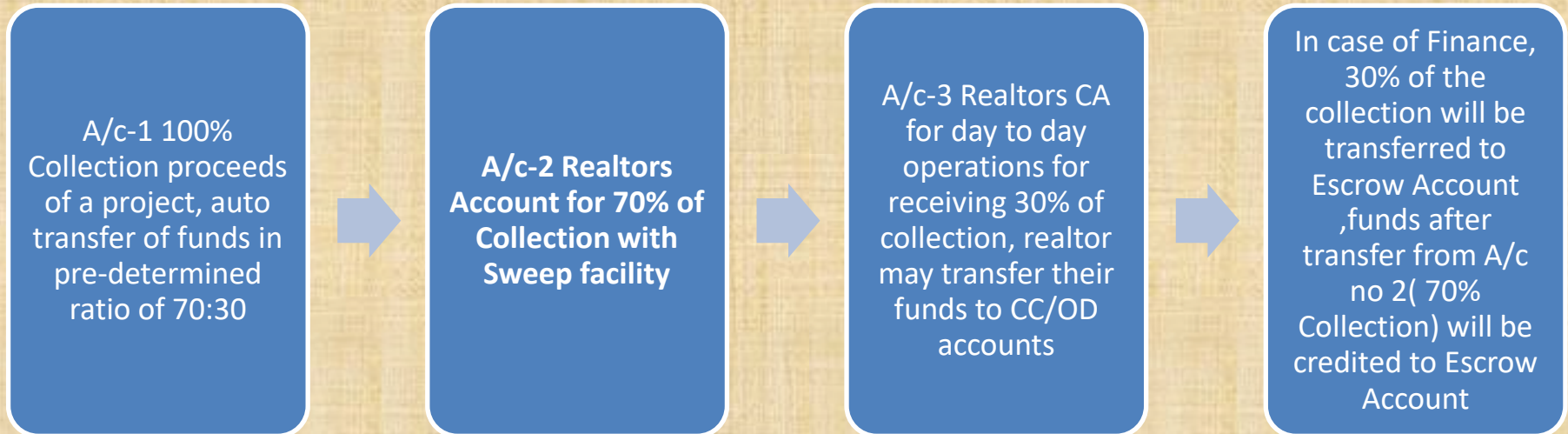
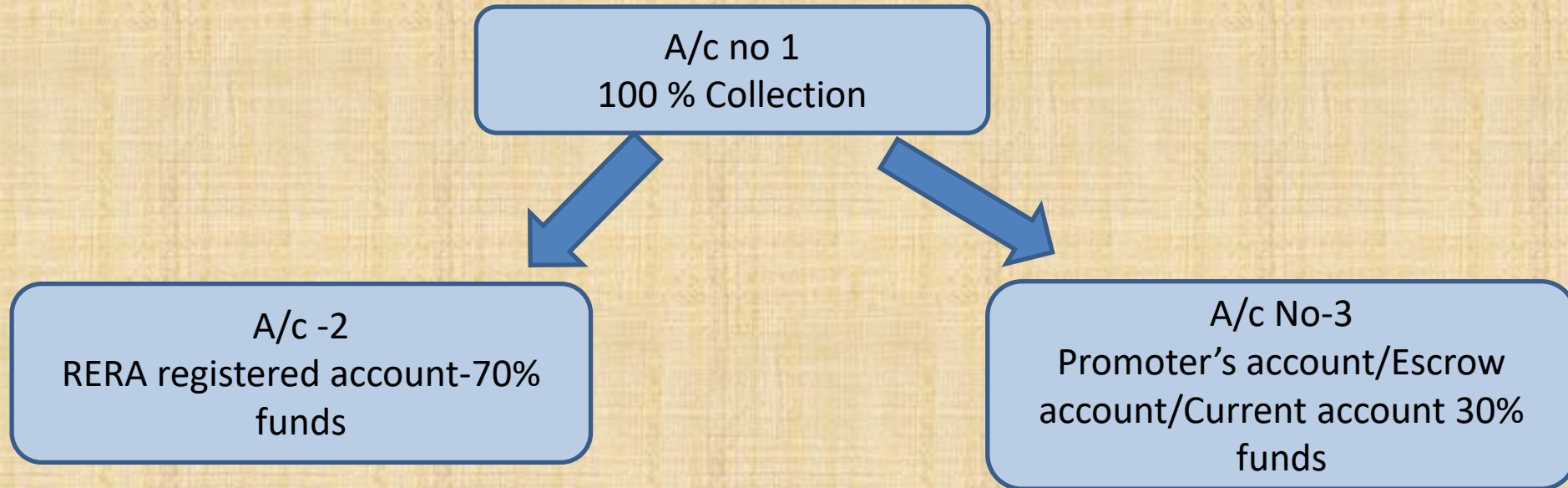
Account Features

- Cheque books will not be issued
- Internet facility with only viewing rights
- Transaction facility will not be given

Withdrawal from Separate Account

- Bank will allow withdraw on receipt of undertaking from the promoter
- Undertaking will state that money has been used according to RERA guidelines
- Promoter will be solely responsible for any deviation

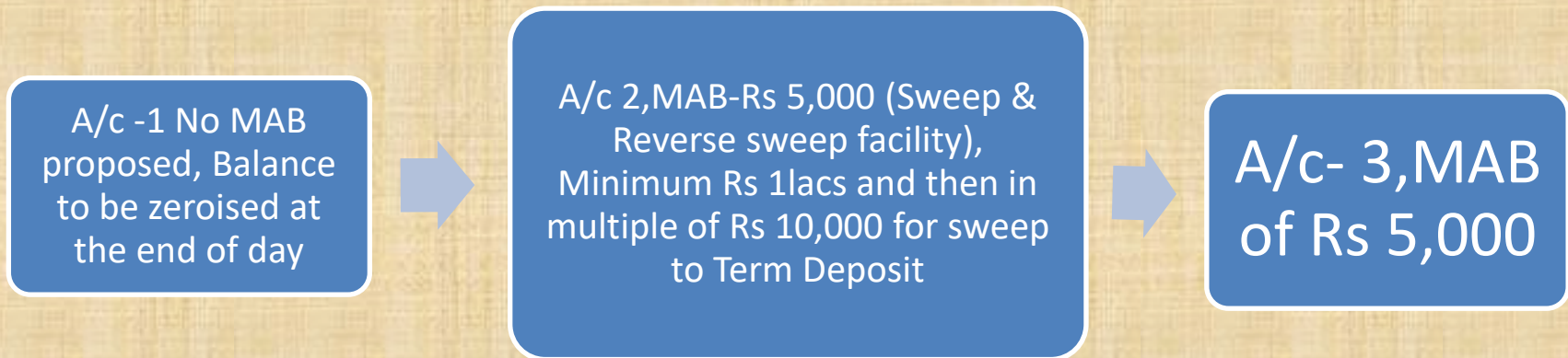
Proposed Separate Current Account



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Funds from Escrow account will be transferred to Realtors operating account i.e. Current account/CC/Overdraft after adjusting bank's due as per terms and condition of sanction

Realtors can request for opening of another current account for deposits of taxes



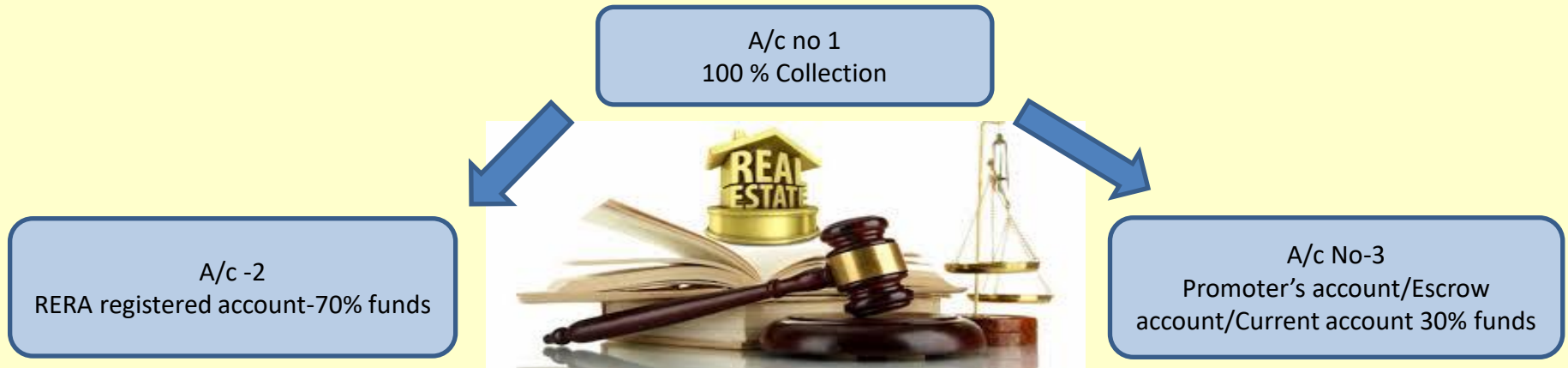
- **RERA ESCROW ACCOUNTS**

Realtors Current Accounts

(Real Estate (Regulation & Development) Act 2016)

e-Circular No. : NBG/TBU/LTP/9/2018-19 dated 21.05.2018

Separate Current Accounts



A/c-1 100%
Collection proceeds
of a project, auto
transfer of funds in
pre-determined ratio
of 70:30

A/c-2 Realtors
Account for 70% of
Collection with
Sweep facility

A/c-3 Realtors CA for
day to day
operations for
receiving 30% of
collection, realtor
may transfer their
funds to CC/OD
accounts

In case of Finance,
30% of the collection
will be transferred to
Escrow Account
,funds after transfer
from A/c no 2(70%
Collection) will be
credited to Escrow
Account

Current Account – Escrow Accounts



ESCROW ACCOUNT

Escrow generally refers to money held by a third-party on behalf of transacting parties



Every debit in account should be in adherence to the purpose for which account was opened

Key Benefit:

Account is for specific purpose, hence float funds remain in the Accounts for longer period than usual Accounts

Major Types of Escrow Accounts



RERA A/cs



Dividend Warrant A/cs



TRA A/cs

- ✓ Entities can open Escrow A/c s for various projects, such as PPP Projects, Infra Projects etc.
- ✓ Dividend Warrant A/c for Corporates for dividend distribution

Thank
You



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