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**RERA - Bankers Circular on RERA Accounts**  
**(Part – 14 of RERA Series)**

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# RERA - BANKERS CIRCULAR ON RERA ACCOUNTS

(PART - XIV OF RERA SERIES)

RERA

Section 4(2)(L)(D) of the RERA Act, mandates that every promoter of the real estate project shall open a bank account in a scheduled bank to deposit the money realised from the allottees.

To bring uniformity in practices, many banks have issued circulars with respect to RERA Bank Account operations. The contents of those circulars are deliberated in this article.

The circular broadly contains the following –

1. Account Opening Procedure & Features
2. Type and number of accounts opened for each project
3. Withdrawal of money from RERA project designated bank account
4. Due Diligence of the banker at the time of withdrawal of money from a project bank account
5. Closure of RERA Designated bank accounts
6. Freezing and De-freezing of Bank Account
7. Flow of funds in case of borrowings

## 1. Account Opening Procedure & Features –

- a. Banker shall open the bank account by following RBI guidelines of complying with KYC and AML requirements
- b. Bankers shall open three bank accounts together for each project (however in case the promoters wish to retain their operative account or Cash Credit or Overdraft accounts, then bankers may permit them to utilize the same, then 3<sup>rd</sup> account may not be opened by the bankers)
- c. Generally, all these three accounts are Current Accounts
- d. A special Agreement between Bank and the realtor has been drafted which contains the Indemnity clauses as well, wherein the promoter will indemnify the Bank.

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

## 2. Banker Will open the following type of accounts and features thereon –

### a) RERA collection account (Pooling account) –

1. Also called a master collection account
2. No chequebook facility
3. No debit or credit card facility
4. 100 % money realised from the allottees shall be deposited into this bank account
5. Auto debit on every day/periodical intervals
  - a. 70 % transfer to RERA Designated bank account
  - b. 30 % transfer to Promoter operative account/CC/OD Account
6. No interest on the balance outstanding
7. No lien on the balance available
8. This account number shall be shared with the allottees
9. The balance in the project collection account will be zero at the end of each day

### b) Project's RERA designated account-

- i. Type – Current Account
- ii. Separate bank account for separate projects
- iii. This account details shall be provided to RERA Authority during the application for RERA Registration
- iv. No debit or credit card facility
- v. Credits to this account is from 100% / pooling/ collection account
- vi. No direct credits are allowed in this account
- vii. Lien on the account balance not permitted



- viii. Excess money if any can be deposited into a Fixed Deposit account
- ix. Balance outstanding in the account does not carry interest
- x. Generally, the balance is transferred to the operative account after getting confirmation of an Architect, Engineer, and CA
- c) **Regular Current account of the promoter / builder-**
  - i. Normal current account
  - ii. Can be Cash Credit or an Overdraft account also
  - iii. 70 % account proceeds to be transferred to this account before making a payment towards the project cost
  - iv. The amount received from the 70 % account shall be utilized for the purpose of the project in accordance with section 4(2)(L)(D) of the RERA Act
  - v. All applicable charges applicable
  - vi. The promoter can continue the bank account even after the completion of the project development.
3. **Withdrawal of money from RERA project designated bank account**
  - i. Balance transfer shall be allowed only after confirmation of CA, Architect, and Engineer
  - ii. Declaration from promoter shall be obtained
  - iii. Formats of the professional certificates are as notified by respective RERA state authorities
4. **Due Diligence by Branch at the time of withdrawal:**
  - a) The Branch will cross-check the names (with signature & seal), addresses, Mobile numbers, and Registration Numbers of the CAs, Engineers, and Architects for the Project from the Designated File for the Project.
  - b) The withdrawal form will then have to be authorized by 2 officers i.e. the Current Account Desk Officer and Manager /Branch in Charge before executing the transaction.
  - c) The original withdrawal form with copies of certificates of CAs/Engineer/Architect should be filled in the designated file for the Project and a copy of the withdrawal form should be made part of the voucher record.

## 5. Closure of Accounts:

- a) RERA collection Current account (Pooling account) and Project's RERA designated Current account 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 / Govt. Authorities.

## 6. Freezing and de-freezing of accounts:

The State RERA Authority, upon the revocation of the registration of the project, shall direct the bank holding the project bank account, specified under sub-clause (D) of clause (L) 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.

### Important points as per the Circular-

1. Promoters shall submit the details of the Names (with signature & seal), addresses, Mobile numbers, and Registration Numbers 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.
2. Branches should keep a track of the accounts opened as well as end dates mentioned in the designated file from time to time and follow up with the realtor for closure of the accounts once the project is completed.
3. Operations in Regular Current accounts will be subject to verification online / offline by Concurrent Auditors/Internal Auditors.
4. Bank's concurrence for any change in CA/Engineer/Architect must be obtained by the Promoter. Changes, if any, in the certifying professionals will be recorded by the Branch in Charge/Authorized Official and filed in the designated file.
5. In view of the above, certifying professionals shall collect a letter of engagement from the promoters of the project.



## Practical questions

Sl No	Questions	Answers
1	a) Allottees money shall be deposited 100 % Master collection / pooling account / 100 % bank account. b) This account number is not reflected in the RERA portal. c) How allottees/lenders/bankers ensure these account details while making payment.	Communicate the information to the Allottees of the project stating – 100 % Collection Account details, RERA Designated (70%) account details
2	Bankers are taking agreements having indemnification clauses	Read the indemnification clause, approach legal counsel for the opinion of the agreement

Sl No	Questions	Answers
3	Deposit of money realised from the landowners	Yes, landowners shall be aware that the sale proceeds shall be deposited into the RERA Account
4	Cancellation and refund	Amount so deposited into the 70% banks account can be withdrawn

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## Photo Gallery



Snapshots of 100<sup>th</sup> meeting of the  
KSCAA Eloquent Professionals held on 18<sup>th</sup> June 2022

### Constitutional Architecture

Confidential – First-cut draft for discussion purposes

- Why this issue has come up before the SC?
- ASG (Union Govt) contended that:
  - that the recommendations of the GST Council are binding on the legislature and the executive.
  - A combined reading of Articles 246A and 279A elucidates that the GST Council is the ultimate decision-making body in framing the GST law since it is a constitutional body that acts as a converging platform for both the Union and the States;
  - The functions and role of the GST Council are unique and incomparable to other constitutional bodies;
  - The ordinary legislative process for enacting a statute is that bills are introduced and voted on by the legislature.
  - Article 264A departs from this as the framing of the policy, discussion on the policy, and decision making are vested with the GST Council.
  - The Parliament or the State Legislature cannot legislate a law on GST under Article 246A independent of the recommendations of the GST Council.



Webinar on "Latest Judicial pronouncements on GST - Judgement on "Ocean Freight" by Hon'ble Supreme Court and Judgement on "Deduction for Land Value" by Hon'ble Gujarat High Court" by CA Naveen Rajpurohit held on 30<sup>th</sup> June 2022

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