



# KARNATAKA REAL ESTATE REGULATORY AUTHORITY

No: 1/14, 2nd Floor, Silver Jubilee Block, Unity Building, CSI Compound,  
3rd Cross, Mission Road, Bengaluru-560027



No: RERA\ Accounts\ 02\ C.R\ 2019-20

Date : 19-07-2023

## Notification

**Subject: Mandatory deposit of money into the RERA project designated bank account borrowed by the promoter by mortgage of the project land and utilisation for the same project development purposes.**

Government of India has enacted the Real Estate (Regulation and Development) Act, 2016 (the Act) and all sections of the Act have come into force with effect from 01.05.2017, the Government of Karnataka vide its Notification has established the Karnataka Real Estate Regulatory Authority, here inafter referred to "Karnataka RERA" or as "the Authority".

Whereas, the Authority under Section 37 of the Act is vested with the powers to issue directions to promoters, real estate agents and allottees from time to time as it may consider necessary.

And whereas, the provisions of the Act, aim at bringing greater transparency, responsibility, accountability through disclosure of information on regular basis, maintenance of separate bank account separately for each project for the purpose of deposit of money collected for the purpose of the project covering the cost of the land and construction.

1. Karnataka RERA has always worked towards bringing greater transparency, responsibility, accountability by issuing the various circular, notification which includes circular No 3/2019 dated 6<sup>th</sup> Nov 2019 with respect to deposit of

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landowners 70 % collection to designated account and further the RERA Bank Account Directions 2020 dated 7<sup>th</sup> Jan 2020 in order to comply with provisions of section 4(2)(1)(D) of the Act.

2. This authority has notified Form 4 (Chartered Accountants Certificate) and Form 7 (Audit of accounts of the project) report by a chartered accountant annually. On verification of some of these forms, it is observed that many promoters of the real estate project are borrowing money from the financial institutions / banks / others etc by mortgaging the project land and also the apartments / units in the project.
3. Further, it is observed in few instances, that the money borrowed by mortgaging the project land and units in the project are not utilized for the purpose of the project. It is evident from the details provided by the promoter and the certificates that total amount realized from the allottees plus the total money borrowed by mortgaging the project land is not fully utilized for the purpose of land and construction.
4. The authority has felt it necessary to issue these directions in the interest of the promoters, project, allottees, lenders etc.,
  - a. **That the promoter of the project shall deposit the entire amount borrowed for the purpose of the project into the designated account of the project and the money so deposited shall be utilized and withdrawn only for the purpose of the development of the respective project.**
  - b. In case the promoter borrows the money for the project and registered the project phase wise as per explanation to section 3(2) of the Act, the promoter shall bifurcate and apportion the amount towards various phases and report



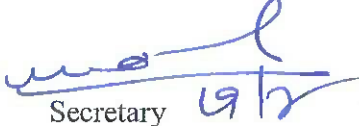
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the same during the quarterly updates along with the Bank Statement or Chartered Accountants Certificate by way of Annexure.

- c. **The lenders/bankers/financial institutions shall also ensure to disburse such loans only to the designated rera account of the project. Such designated rera account details are published and available in the K RERA website for each registered rera projects.**
- d. The chartered accountant based on the books of accounts maintained and while issuing the certificates shall also report whether the amount borrowed for the purpose of the project has been deposited into the designated rera account or not.
5. In case of the existing projects, where in the promoters have borrowed money for the purpose of the project and not utilised any portion of such money to the respective project shall deposit the unutilised portion of money into the designated rera account within 3 months from the date of this notification.
6. The authority may call for any information or documents from the promoters by issuing a notice in order to enforce this notification.

  
Secretary

Real Estate Regulatory Authority

Copy to

1. All Real Estate Promoters,
2. All Bankers / Regional Managers of All Banks
3. The Chairman, Bangalore Branch of SIRC of ICAI
4. The President, Karnataka State Chartered Accountants Association