Master Direction on Money Market Instruments: Call/Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures (original maturity up to one year)

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions/directives to the eligible market participants in regard to call/notice money market, Commercial Paper (CP), Certificates of Deposit (CD) and Non-Convertible Debentures (NCDs) of original or initial maturity up to one year.

2. To enable market participants to have current instructions at one place, a Master Direction incorporating all the existing guidelines/instructions/directives on the subject has been prepared for reference of the market participants and others concerned.

3. Definitions of certain terms used in the Directions are provided in Annex I.

4. This Direction has been issued by RBI in exercise of its powers conferred under sections 45K, 45L and 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf.

Table of Contents

Section I: Call and Notice Money Market

1. Introduction: The money market is a market for short-term financial assets that are close substitutes of money. The most important feature of a money market instrument is that it is liquid and can be turned into money quickly at low cost and provides an avenue for equilibrating the short-term surplus funds of lenders and the requirements of borrowers. The call/notice money market forms an important segment of the Indian Money Market. Under call money market, funds are transacted on an overnight basis and under notice money market, funds are transacted for a period between 2 days and 14 days.

2. Participants: Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), are permitted to participate in call/notice money market both as borrowers and lenders.

3. Prudential Limits

3.1 The prudential limits in respect of both outstanding borrowing and lending transactions in call/notice money market for scheduled commercial banks, co-operative banks and PDs are as follows:-

Table: Prudential Limits for Transactions in Call/Notice Money Market

Sr. No.	Participant	Borrowing	Lending
1	Scheduled Commercial Banks	On a daily average basis in a reporting fortnight, borrowing outstanding should not exceed 100 per cent of capital funds (i.e., sum of Tier I and Tier II capital) of latest audited balance sheet. However, banks are allowed to borrow a maximum of 125 per cent of their capital funds on any day, during a fortnight.	On a daily average basis in a reporting fortnight, lending outstanding should not exceed 25 per cent of their capital funds. However, banks are allowed to lend a maximum of 50 per cent of their capital funds on any day, during a fortnight.
2	Co-operative Banks	Outstanding borrowings of State Co-operative Banks/District Central Co-operative Banks/ Urban Co-operative Banks in call/notice money market, on a daily basis should not exceed 2.0 per cent of their aggregate deposits as at end March of the previous financial year.	No limit.
3	PDs	PDs are allowed to borrow, on daily average basis in a reporting fortnight, up to 225 per cent of their net owned funds (NOF) as at end-March of the previous financial year.	PDs are allowed to lend in call/notice money market, on daily average basis in a reporting fortnight, up to 25 per cent of their NOF.

3.2 Banks/PDs/ Co-operative banks may, with the approval of their Boards, arrive at the prudential limits for borrowing/lending in Call/Notice Money Market in terms of guidelines given in paragraph 3.1 above. The limits so arrived at may be conveyed to the Clearing Corporation of India Ltd. (CCIL) for setting of limits in NDS-CALL System, under advice to Financial Markets Regulation Department (FMRD), Reserve Bank of India.

3.3 Non-bank institutions (other than PDs) are not permitted in the call/notice money market.

4. Interest Rate: Eligible participants are free to decide on interest rates in call/notice money market. Calculation of interest payable would be based on the methodology given in the Handbook of Market Practices brought out by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

5. Dealing Session: Deals in the Call/Notice/Term money market can be done from 9:00 am to 5:00 pm on each business day or as specified by RBI from time to time.

6. Documentation: Eligible participants may adopt the documentation suggested by FIMMDA from time to time.

7. Trading: The Call/Notice Money transactions can be executed either on NDS-Call, a screen–based, negotiated, quote-driven electronic trading system managed by the Clearing Corporation of India (CCIL), or over the counter (OTC) through bilateral communication.

8. Reporting Requirement

8.1 All dealings in Call/Notice/Term money executed on the Negotiated Dealing System-Call, i.e. NDS-Call (a screen –based, negotiated, quote-driven system), do not require separate reporting.

8.2 It is mandatory that all the OTC Call/Notice/Term money deals be reported over the reporting platform of NDS-Call by the parties who are having NDS-Call membership.

8.3 OTC deals should be reported within 15 minutes on NDS-Call reporting platform, irrespective of the size of the deal or whether the counterparty is a member of the NDS-Call or not.

8.4 Parties who are not having NDS-Call membership are advised to report the deals to Financial Markets Regulation Department, RBI in the reporting format given in Annex II of this Master Direction.

8.5 The reporting time for all OTC Call/Notice/Term money deals on NDS-Call is up to 5:00 pm on each business day or as decided by RBI from time to time.

8.6 In case of any misreporting or repeated reporting of OTC deals by a party, the same should be immediately brought to the notice of Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai either through e-mail or through fax (022-22702290).

8.7 In case the situation so warrants, the Reserve Bank may call for information in respect of money market transactions of eligible participants.

Section II: Commercial Paper

1. Introduction: Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. CP, as a privately placed instrument, was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Subsequently, primary dealers (PDs) and all-India financial institutions (FIs) were also permitted to issue CP to enable them to meet their short-term funding requirements.

2. Eligibility for Issue of CP:

a. Companies, PDs and FIs are permitted to raise short term resources through CP.
b. A company would be eligible to issue CP provided:

  i. the tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs.4 crore;
  ii. the company has been sanctioned working capital limit by bank/s or FIs; and
  iii. the borrowal account of the company is classified as a Standard Asset by the financing bank/institution.

3. Issue of CP – Credit enhancement, limits, etc.

a. CP shall be issued as a 'stand-alone' product. Further, it would not be obligatory in any manner on the part of the banks and FIs to provide stand-by facility to the issuers of CP.
b. Banks and FIs may, based on their commercial judgement, subject to the prudential norms as applicable to them, with the specific approval of their respective Boards, choose to provide stand-by assistance/credit, back-stop facility etc. by way of credit enhancement for a CP issue.
c. Non-bank entities (including corporates) may provide unconditional and irrevocable guarantee for credit enhancement for CP issue provided:

    i. the issuer fulfils the eligibility criteria prescribed for issuance of CP;
    ii. the guarantor has a credit rating at least one notch higher than the issuer given by an approved CRA; and

iii. the offer document for CP properly discloses the net worth of the guarantor company, the names of the companies to which the guarantor has issued similar guarantees, the extent of the guarantees offered by the guarantor company, and the conditions under which the guarantee will be invoked.

d. The aggregate amount of CP that can be issued by an issuer shall at all times be within the limit as approved by its Board of Directors or the quantum indicated by the CRA for the specified rating, whichever is lower.
e. Banks and FIs shall have the flexibility to fix working capital limits, duly taking into account the resource pattern of company's financing, including CP.
f. An issue of CP by an FI shall be within the overall umbrella limit prescribed in the Master Circular/Direction on Resource Raising Norms for FIs, issued by the Department of Banking Regulation, Reserve Bank of India, as prescribed/updated from time-to-time.
g. The total amount of CP proposed to be issued should be raised within a period of two weeks from the date on which the issuer opens the issue for subscription. CP may be issued on a single date or in parts on different dates provided that in the latter case, each CP shall have the same maturity date.
h. Every issue of CP, and every renewal of a CP, shall be treated as a fresh issue.

4. Eligibility for Investment in CP

a. Individuals, banks, other corporate bodies (registered or incorporated in India) and unincorporated bodies, Non-Resident Indians and Foreign Institutional Investors (FIIs) shall be eligible to invest in CP.
b. FIIs shall be eligible to invest in CPs subject to (i) such conditions as may be set for them by the Securities and Exchange Board of India (SEBI); and (ii) compliance with the provisions of the Foreign Exchange Management Act, 1999, the Foreign Exchange (Deposit) Regulations, 2000 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time.

5. Form of the Instrument, mode of issuance and redemption

5.1 Form

a. CP shall be issued in the form of a promissory note (as specified in Annex III to this Direction) and held in physical form or in a dematerialized form through any of the depositories approved by and registered with SEBI, provided that all RBI regulated entities can deal in and hold CP only in dematerialised form through such depositories.
b. Fresh investments by all RBI-regulated entities shall be only in dematerialised form.
c. CP shall be issued in denominations of Rs. 5 lakh and multiples thereof. The amount invested by a single investor should not be less than Rs. 5 lakh (face value).
d. CP shall be issued at a discount to face value as may be determined by the issuer.
e. No issuer shall have the issue of CP underwritten or co-accepted.
f. Options (call/put) are not permitted on CP.

5.2 Tenor

a. CP shall be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.
b. The maturity date of the CP shall not go beyond the date up to which the credit rating of the issuer is valid.

5.3. Procedure for Issuance

a. Every issuer must appoint an IPA for issuance of CP.
b. The issuer should disclose to the potential investors, its latest financial position as per the standard market practice.
c. After the exchange of confirmation of the deal between the investor and the issuer, the issuer shall arrange for crediting the CP to the Demat account of the investor with the depository through the IPA.
d. The issuer shall give to the investor a copy of IPA certificate to the effect that the issuer has a valid agreement with the IPA and documents are in order (Annex IV).

5.4 Rating Requirement

Eligible participants/issuers shall obtain credit rating for issuance of CP from any one of the SEBI registered CRAs. Theminimum credit ratingshall be ‘A3’ as per rating symbol and definition prescribed by SEBI. The issuers shall ensure at the time of issuance of the CP that the rating so obtained is current and has not fallen due for review.

5.5 Investment / Redemption

a. The investor in CP (primary subscriber) shall pay the discounted value of the CP to the account of the issuer through the IPA.
b. The holder of a CP in dematerialised form shall get the CP redeemed and receive payment through the IPA.

5.6 Documentation Procedures

a. Standardised procedures and documentation for CPs are prescribed in consultation with Fixed Income Money Market and Derivatives Association of India (FIMMDA) in consonance with international best practices.
b. Issuers/IPAs shall follow the operational guidelines issued by FIMMDA, from time to time, with the approval of RBI.

6. Trading and Settlement of CP

a. All OTC trades in CP shall be reported within 15 minutes of the trade to the Financial Market Trade Reporting and Confirmation Platform (“F-TRAC”) of Clearcorp Dealing System (India) Ltd. (CDSL).
b. The requirement of exchange of physical confirmation of trades matched on F- TRAC is waived subject to the following conditions:

i. Participants entering into one time bilateral agreement for eliminating the exchange of confirmation or multilateral agreement drafted by the Fixed Income Money Market and Derivatives Association (**“FIMMDA”**);
ii. Participants adhering to the extant laws such as stamp duty as may be applicable; and
iii. Participants ensuring adherence to a sound risk management framework and complying with all the regulatory and legal requirements and practices, in this regard.

c. The list of entities, which have signed the multilateral agreement, will be published by FIMMDA and the Clearing Corporation of India Limited (CCIL) on their websites.
d. OTC trades in CP shall be settled through the clearing house of the National Stock Exchange (NSE), i.e., the National Securities Clearing Corporation Limited (NSCCL), the clearing house of the Bombay Stock Exchange (BSE), i.e., Indian Clearing Corporation Limited (ICCL), and the clearing house of the MCX-Stock Exchange, i.e., MCX-SX Clearing Corporation Limited (CCL), as per the norms specified by NSCCL, ICCL and CCL from time to time.
e. The settlement cycle for OTC trades in CP shall either be T+0 or T+1.

7. Buyback of CP

a. Issuers may buyback the CP, issued by them to the investors, before maturity.
b. Buyback of CP shall be through the secondary market and at prevailing market price.
c. The CP shall not be bought back before a minimum period of 7 days from the date of issue.
d. Issuer shall intimate the IPA of the buyback undertaken.
e. Buyback of CPs should be undertaken after taking approval from the Board of Directors.

8. Duties and Obligations

The duties and obligations of the Issuer, IPA and CRA are set out below:

<u>I. Issuer</u>

The issuer shall ensure that the guidelines and procedures laid down for the issuance of CP are strictly adhered to.

<u>II. IPA</u>

a. The IPA shall ensure that the issuer has the minimum credit rating as stipulated by RBI and the amount mobilised through issuance of CP is within the quantum indicated by CRA for the specified rating or as approved by its Board of Directors, whichever is lower.
b. The IPA shall certify that it has a valid agreement with the issuer (Annex IV).
c. The IPA shall verify that all the documents submitted by the issuer, viz., copy of board resolution, signatures of authorised executants (when CP is issued in physical form) are in order and shall issue a certificate to this effect.
d. Certified copies of original documents, verified by the IPA, shall be held in the custody of IPA.
e. All scheduled banks, acting as IPAs, shall report the details of issuance of CP on the Online Returns Filing System (ORFS) module of the RBI within two days from the date of issuance of the CP.
f. IPAs, shall immediately report, on occurrence, full particulars of defaults in repayment of CP to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai-400 001 (email) in the format as given in Annex V of this Direction.
g. IPAs shall also report all instances of buyback of CPs undertaken by the issuer to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai–400 001 (email) in the format as given in Annex VI of this Direction.

III. CRA

a. CRAs shall abide by the Code of Conduct prescribed by the SEBI for CRAs for undertaking rating of capital market instruments, which shall be applicable for rating CPs.
b. The CRAs shall have the discretion to determine the validity period of the rating depending upon their perception about the strength of the issuer; and they shall, at the time of rating, clearly indicate the date when the rating is due for review.
c. The CRAs shall closely monitor the rating assigned to issuers vis-à-vis their track record at regular intervals and shall make their revision in the ratings public through their publications and website.

9. Non-applicability of Certain Other Directions: Nothing contained in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 shall apply to the acceptance of deposit by issuance of CP, by any NBFC in accordance with these guidelines.

Section III: Certificates of Deposit

1. Introduction: Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period.

2. Eligibility: CDs can be issued by (i) scheduled commercial banks {excluding Regional Rural Banks and Local Area Banks}; and (ii) select All-India Financial Institutions (FIs) that have been permitted by RBI to raise short-term resources within the umbrella limit fixed by RBI.

3. Aggregate Amount:
3.1 Banks have the freedom to issue CDs depending on their funding requirements.
3.2 An FI can issue CDs within the overall umbrella limit prescribed in the Master Circular/Direction on Resource Raising Norms for FIs, issued by Department of Banking Regulation, Reserve Bank of India and updated from time-to-time.

4. Minimum Size of Issue and Denominations: Minimum amount of a CD should be Rs.1 lakh, i.e., the minimum deposit that could be accepted from a single subscriber should not be less than Rs.1 lakh, and in multiples of Rs. 1 lakh thereafter.

5. Investors: CDs can be issued to individuals, corporations, companies (including banks and PDs), trusts, funds, associations, etc. Non-Resident Indians (NRIs) may also subscribe to CDs, but only on non-repatriable basis, which should be clearly stated on the Certificate. Such CDs cannot be endorsed to another NRI in the secondary market.

6. Maturity

6.1 The maturity period of CDs issued by banks should not be less than 7 days and not more than one year, from the date of issue.

6.2 FIs can issue CDs for a period not less than 1 year and not exceeding 3 years from the date of issue.

7. Discount / Coupon Rate: CDs may be issued at a discount on face value. Banks / FIs are also allowed to issue CDs on floating rate basis provided the methodology of compiling the floating rate is objective, transparent and market-based. The issuing bank / FI is free to determine the discount / coupon rate. The interest rate on floating rate CDs would have to be reset periodically in accordance with a pre-determined formula that indicates the spread over a transparent benchmark. The investor should be clearly informed of the same.

8. Reserve Requirements: Banks have to maintain appropriate reserve requirements, i.e., Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), on the issue price of the CDs.

9. Transferability: CDs in physical form are freely transferable by endorsement and delivery. CDs in demat form can be transferred as per the procedure applicable to other demat securities. There is no lock-in period for the CDs.

10. Trades in CDs:

a. All OTC trades in CP shall be reported within 15 minutes of the trade to the Financial Market Trade Reporting and Confirmation Platform ("F-TRAC") of Clearcorp Dealing System (India) Ltd. (CDSL).
b. The requirement of exchange of physical confirmation of trades matched on F- TRAC is waived subject to the following conditions:

i. Participants entering into one time bilateral agreement for eliminating the exchange of confirmation or multilateral agreement drafted by the Fixed Income Money Market and Derivatives Association (**"FIMMDA"**) ;
ii. Participants adhering to the extant laws such as stamp duty as may be applicable; and
iii. Participants ensuring adherence to a sound risk management framework and complying with all the regulatory and legal requirements and practices, in this regard.

c. The list of entities, which have signed the multilateral agreement, will be published by FIMMDA and the Clearing Corporation of India Limited (CCIL) on their websites.

11. Settlement: All OTC trades in CDs shall necessarily be cleared and settled under DVP I mechanism through the authorised clearing houses {National Securities Clearing Corporation Limited (NSCCL), Indian Clearing Corporation Limited (ICCL) and MCX Stock Exchange Clearing Corporation Limited (CCL)} of the stock exchanges.

12. Loans / Buy-backs: Banks / FIs cannot grant loans against CDs. Furthermore, they cannot buy-back their own CDs before maturity. However, the RBI may relax these restrictions for temporary periods through a separate notification.

13. Format of CDs: Banks / FIs should issue CDs only in dematerialised form. However, according to the Depositories Act, 1996, investors have the option to seek certificate in physical form. Accordingly, if an investor insists on physical certificate, the bank / FI may inform the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai - 400 001 about such instances separately. Further, issuance of CDs will attract stamp duty. A format (Annex VII) is enclosed for adoption by banks / FIs. There will be no grace period for repayment of CDs. If the maturity date happens to be a holiday, the issuing bank / FI should make payment on the immediate preceding working day. Banks / FIs, therefore, should fix the period of deposit in such a manner that the maturity date does not coincide with a holiday to avoid loss of discount / interest rate.

14. Security Aspect: Since CDs in physical form are freely transferable by endorsement and delivery, it will be necessary for banks/FIs to see that the certificates are printed on good quality security paper and necessary precautions are taken to guard against tampering with the document. They should be signed by two or more authorised signatories.

15. Payment of Certificate

15.1 Since CDs are transferable, the physical certificates may be presented for payment by the last holder. The question of liability on account of any defect in the chain of endorsements may arise. It is, therefore, desirable that banks take necessary precautions and make payment only by a crossed cheque. Those who deal in these CDs may also be suitably cautioned.

15.2 The holders of dematted CDs will approach their respective depository participants (DPs) and give transfer / delivery instructions to transfer the security represented by the specific International Securities Identification Number (ISIN) to the 'CD Redemption Account' maintained by the issuer. The holders should also communicate to the issuer by a letter / fax enclosing the copy of the delivery instruction they had given to their respective DP and intimate the place at which the payment is requested to facilitate prompt payment. Upon receipt of the demat credit of CDs in the "CD Redemption Account", the issuer, on maturity date, would arrange to repay to holders / transferors by way of Banker's cheque / high value cheque, etc.

16. Issue of Duplicate Certificates

16.1 In case of loss of physical certificates, duplicate certificates can be issued after compliance with the following:

a. Notice is required to be given in at least one local newspaper;
b. Lapse of a reasonable period (say 15 days) from the date of the notice in the newspaper; and
c. Execution of an indemnity bond by the investor to the satisfaction of the issuer of CDs.

16.2 The duplicate certificate should be issued only in physical form. No fresh stamping is required as a duplicate certificate is issued against the original lost CD. The duplicate CD should clearly state that the CD is a Duplicate one stating the original value date, due date, and the date of issue (as "Duplicate issued on ________").

17. Accounting: Banks / FIs may account the issue price under the Head "CDs issued" and show it under deposits. Accounting entries towards discount will be made as in the case of "Cash Certificates". Banks / FIs should maintain a register of CDs issued with complete particulars.

18. Standardised Market Practices and Documentation: Fixed Income Money Market and Derivatives Association of India (FIMMDA) may prescribe, in consultation with the RBI, for operational flexibility and smooth functioning of the CD market, any standardised procedure and documentation that are to be followed by the participants, in consonance with the international best practices. Banks / FIs may refer to the Handbook of Market Practices issued by FIMMDA in this regard in April, 2016 and as amended from time to time (http://fimmda.org).

19. Reporting

19.1 Banks should include the amount of CDs in the fortnightly return under Section 42 of the RBI Act, 1934 and also separately indicate the amount so included by way of a footnote in the return.

19.2 Further, banks / FIs should report the data on issuance of CDs on the web-based module under the Online Returns Filing System (ORFS) within 10 days from the end of the fortnight to which it pertains.

Section IV: Non-Convertible Debentures (NCDs) of original or initial maturity up to one year

1. Definition: For the purposes of these Directions,

i. Non-Convertible Debenture (NCD) means a debt instrument issued by a corporate (including NBFCs) with original or initial maturity up to one year and issued by way of private placement;
ii. “Corporate” means a company as defined in the Companies Act, 2013 (including NBFCs) and a corporation established by an act of any Legislature.

iii. NBFCs shall also adhere to the directions/guidelines issued by the Department of Non-Banking Regulation, Reserve Bank of India

2. Eligibility to issue NCDs: A corporate shall be eligible to issue NCDs if it fulfills the following criteria, namely,

i. the corporate has a tangible net worth of not less than Rs.4 crore, as per the latest audited balance sheet;

ii. the corporate has been sanctioned working capital limit or term loan by bank/s or all-India financial institution/s; and

iii. the borrowal account of the corporate is classified as a Standard Asset by the financing bank/s or institution/s.

However, paragraph 2 (i) above shall not be applicable to Non-Banking Financial Companies (NBFCs) including Primary Dealers (PDs).

3. Rating Requirement

3.1 An eligible corporate intending to issue NCDs shall obtain credit rating for issuance of the NCDs from one of the rating agencies, viz., the Credit Rating Information Services of India Ltd. (CRISIL) or the Investment Information and Credit Rating Agency of India Ltd. (ICRA) or the Credit Analysis and Research Ltd. (CARE) or the FITCH Ratings India Pvt. Ltd or such other agencies registered with Securities and Exchange Board of India (SEBI) or such other credit rating agencies as may be specified by the Reserve Bank of India from time to time, for the purpose.

3.2 The minimum credit rating shall be 'A2' as per rating symbol and definition prescribed by SEBI.

3.3 The Corporate shall ensure at the time of issuance of NCDs that the rating so obtained is current and has not fallen due for review.

4. Maturity

4.1 NCDs shall not be issued for maturities of less than 90 days from the date of issue.

4.2 The exercise date of option (put/call), if any, attached to the NCDs shall not fall within the period of 90 days from the date of issue.

4.3 The tenor of the NCDs shall not exceed the validity period of the credit rating of the instrument.

5. Denomination

NCDs may be issued in denominations with a minimum of Rs.5 lakh (face value) and in multiples of Rs.1 lakh.

6. Limits and the Amount of Issue of NCDs

6.1 The aggregate amount of NCDs issued by a corporate shall be within such limit as may be approved by the Board of Directors of the corporate or the quantum indicated by the Credit Rating Agency for the rating granted, whichever is lower.

6.2 The total amount of NCDs proposed to be issued shall be completed within a period of two weeks from the date on which the corporate opens the issue for subscription.

7. Procedure for Issuance

7.1 The corporate shall disclose to the prospective investors, its financial position as per the standard market practice.

7.2 The auditors of the corporate shall certify to the investors that all the eligibility conditions set forth in these directions for the issue of NCDs are met by the corporate.

7.3 The requirements of all the provisions of the Companies Act, 1956 and the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, or any other law, that may be applicable, shall be complied with by the corporate.

7.4 The Debenture Certificate shall be issued within the period prescribed in the Companies Act, 1956 or any other law as in force at the time of issuance.

7.5 NCDs may be issued at face value carrying a coupon rate or at a discount to face value as zero coupon instruments as determined by the corporate.

8. Debenture Trustee

8.1 Every corporate issuing NCDs shall appoint a Debenture Trustee (DT) for each issuance of the NCDs.

8.2 Any entity that is registered as a DT with the SEBI under SEBI (Debenture Trustees) Regulations, 1993, shall be eligible to act as DT for issue of the NCDs only subject to compliance with the requirement of these Directions.
8.3 The DT shall submit to the Reserve Bank of India such information as required by it from time to time.

9. Investment in NCD
9.1 NCDs may be issued to and held by individuals, banks, Primary Dealers (PDs), other corporate bodies including insurance companies and mutual funds registered or incorporated in India and unincorporated bodies, Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs).
9.2 Investments in NCDs by Banks/PDs shall be subject to the approval of the respective statutes governing them, and approval of their respective regulators.
9.3 Investments by the FIIs shall be subject to extant provisions of the Foreign Exchange Management Act (FEMA) and rules, regulations, notifications, directions or orders issued thereunder, and within such limits as may be set forth in this regard from time to time by SEBI.

10. Preference for Dematerialisation
While option is available to both issuers and subscribers to issue/hold NCDs in dematerialised or physical form, they are encouraged to issue/ hold NCDs in dematerialised form. However, banks, FIs and PDs are required to make fresh investments in NCDs only in dematerialised form.

11. Roles and Responsibilities
11.1 The role and responsibilities of corporates, DTs and the credit rating agencies (CRAs) are set out below:
(a) Corporates: 11.2 Corporates shall ensure that the guidelines and procedures laid down for issuance of NCD are strictly adhered to.
(b) Debenture Trustees:
11.3 The roles, responsibilities, duties and functions of the DTs shall be guided by these regulations, the Securities and Exchange Board of India (Debenture Trustees) Regulations,1993, the trust deed and offer document.
11.4 The DTs shall report, within three days from the date of completion of the issue, the issuance details to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai-400 001.
11.5 DTs should submit to the Reserve Bank of India (on a quarterly basis) a report on the outstanding amount of NCDs of maturity up to year.
11.6 In order to monitor defaults in redemption of NCDs, the DTs are advised to report immediately, on occurrence, full particulars of defaults in repayment of NCDs to the Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai-400 001.
11.7 The DTs shall report the information called for under para 10.4, 10.5 and 10.6 of these Directions as per the format notified by the Reserve Bank of India, Financial Markets Regulation Department, Central Office, Mumbai from time to time.
(c) Credit Rating Agencies (CRAs)
11.8 Code of Conduct prescribed by the SEBI for the CRAs for undertaking rating of capital market instruments shall be applicable to them (CRAs) for rating the NCDs.
11.9 The CRA shall have the discretion to determine the validity period of the rating depending upon its perception about the strength of the issuer. Accordingly, CRA shall, at the time of rating, clearly indicate the date when the rating is due for review.
11.10 While the CRAs may decide the validity period of credit rating, they shall closely monitor the rating assigned to corporates vis-à-vis their track record at regular intervals and make their revision in the ratings public through their publications and website.

12. Documentary Procedure
12.1 Issuers of NCDs of maturity up to one year shall follow the Disclosure Document brought out by the Fixed Income Money Market and Derivatives Association of India (FIMMDA), in consultation with the Reserve Bank of India as amended from time to time.
12. 2 Violation of the directions will attract penalties, which would include debarring of the entity from the NCD market.

Annex I

Definitions: In this Direction, unless the context otherwise requires:
1. 'RBI' means the Reserve Bank of India.
2. "Call Money" means deals in overnight funds.
3. "Notice Money" means deals in funds for 2 – 14 days.
4. "Term Money" means deals in funds for 15 days-1 year.
5. "Fortnight" shall be on a reporting Friday basis and would mean the period from Saturday to the second following Friday, both days inclusive.
6. "Bank" or "Banking company" means a banking company as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949 (10 of 1949) or "a corresponding new bank", "State Bank of India" or "subsidiary bank" as defined in clause (da), clause (nc) and clause (nd) respectively thereof and includes a "co-operative bank" as defined in clause (cci) of Section 5 read with Section 56 of the Act.
7. "Scheduled bank" means a bank included in the Second Schedule of the Reserve Bank of India Act, 1934.
8. "Primary Dealer (PD)" means a financial institution which holds a valid letter of authorisation as a PD issued by the Reserve Bank.
9. 'Company' means a company as defined in the Companies Act, 2013.
10. 'Issuing and Paying Agent (IPA)' means a Scheduled Bank acting as an IPA.
11. 'CRA' means a Credit Rating Agency registered with Securities and Exchange Board of India.
12. '"All-India Financial Institutions (FIs)" mean those financial institutions which have been permitted specifically by the Reserve Bank of India to raise resources by way of Term Money, Term Deposits, Certificates of Deposit, Commercial Paper and Inter-Corporate Deposits, where applicable, within the umbrella limit fixed by RBI.
13. "Non-banking Company" means a company other than banking company.
14. "Non-banking financial company" means a company as defined in Section 45 I (f) of the Reserve Bank of India Act, 1934.
15. "Capital Funds" means the sum of Tier I and Tier II capital as disclosed in the latest audited balance sheet of the entity.
16. In terms of the RBI Act, 1934, NOF for PDs is calculated as (a) the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance-sheet of the company after deducting there from– (i) accumulated balance of loss; (ii) deferred revenue expenditure; and (iii) other intangible assets; and (b) further reduced by the amounts representing– (1) investments of such company in shares of– (i) its subsidiaries; (ii) companies in the same group; (iii) all other non-banking financial companies; and (2) the book value of debentures, bonds, outstanding loans and advances (including hire-purchase and lease finance) made to, and deposits with– (i) subsidiaries of such company; and (ii) companies in the same group, to the extent such amount exceeds ten per cent of (a) above.
17. Words and expressions used but not defined herein and defined in the Reserve Bank of India Act, 1934 shall have the same meaning as assigned to them in the said Act.

Appendix

List of Circulars Consolidated-Call/Notice Money Market as per RBI Website

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Ref: RBI/FMRD/2016-17/32 FMRD.Master Direction No.2/2016-17 July 7, 2016