



RBI/2010-11/349

DBOD.BP.BC.No.72/21.04.141/2010-11

December 31, 2010

The Chairmen / Chief Executives of
All Commercial Banks
(excluding Regional Rural Banks)

Dear Sir,

Investment in Non-SLR Securities- Non-Convertible Debentures (NCDs) of maturity up to one year

Please refer to [circular DBOD.BP.BC.44/21.04.141/2003-04 dated November 12, 2003](#) on Prudential Guidelines on Banks' Investment in Non-SLR Securities which, *inter alia*, advised the banks that they should not invest in Non-SLR securities of original maturity of less than one-year, other than Commercial Paper and Certificates of Deposits which are covered under RBI guidelines.

2. We also draw your attention to circulars IDMD.DOD.09/11.01.01(A)/2009-10 dated June 23, 2010 and [IDMD.PCD.23/ED\(HRK\)-2010 dated December 6, 2010](#) on Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010 which, *inter alia*, allowed banks to invest in NCDs with original or initial maturity up to one year issued by corporates [including Non-Banking Financial Companies (NBFCs)] subject to the approval of the statutes governing them and after obtaining regulatory approval.

3. In this connection, we advise that henceforth banks are permitted to invest in NCDs with original or initial maturity up to one year issued by corporates (including NBFCs). However, while investing in such instruments banks should be guided by the extant prudential guidelines in force, ensure that the issuer has disclosed the purpose for which the NCDs are being issued in the disclosure

document and such purposes are eligible for bank finance (refer to para 5 and 7 of [Master Circular DBOD.BP.BC.No.5/21.04.172/2010-11 dated July 1, 2010](#) on Bank Finance to Non-Banking Financial Companies).

4. We also advise that the guidelines on listing and rating requirements pertaining to non-SLR securities issued vide [circular No. DBOD.BP.BC.44/21.04.141/2003-04 dated November 12, 2003](#) and DBOD.No.BP.BC.53/21.04.141/2003-04 dated December 10, 2003 would not be applicable to banks' investments in NCDs.

Yours faithfully,

(B. Mahapatra)
Chief General Manager-in-Charge

Withdrawn