

**RBI/2004-05/243**  
**Ref.No. MPD. 258/07.01.279/2004-05**

**October 26, 2004**  
**Kartika 4, 1926 (S)**

The Chairmen/Chief Executives of  
All Scheduled Banks, Primary Dealers  
and All-India Financial Institutions

**Dear Sirs,**

***Guidelines for Issue of Commercial Paper***

Please refer to paragraph 100 of the Mid-term Review of Annual Policy Statement for the Year 2004-05 dated October 26, 2004 (copy of the paragraph enclosed), indicating certain modifications to earlier guidelines relating to maturity period and reporting of the issuance of commercial paper (CP). The relevant guidelines are modified as under.

2. In terms of para 5 of the Master Circular No. MPD 251/07.01.279/2004-05 dated July 1, 2004, "CP can be issued for maturities between a minimum of 15 days and a maximum up to one year from the date of issue". On review, it has been decided to reduce the minimum maturity period of CP from 15 days to 7 days with immediate effect. This would give an option to issuers to raise short-term resources through CP as also to investors an avenue to invest in quality short-term papers.

3. A copy of the Notification MPD. No. 257/07.01.279/2004-05 dated October 26, 2004, amending the earlier issued notifications, is enclosed.

Yours faithfully,

(Deepak Mohanty)  
Adviser-in-Charge

## **Mid-term Review of the Annual Policy Statement for the Year 2004-05**

### ***Commercial Paper***

100. With a view to developing the commercial paper (CP) market further, a status paper was placed on RBI website which was discussed with market participants as well as in the Technical Advisory Committee on money, foreign exchange and government securities markets (TAC). Taking into account the suggestions and market response, the following measures are proposed:

- In order to provide an option to issuers to raise short-term resources through CP as also an avenue to investors to invest in quality short-term papers, the minimum maturity period of CP is reduced from 15 days to 7 days with immediate effect.
- In order to provide transparency and also facilitate benchmarking of CP issues, issuing and paying agents (IPAs) would report issuance of CP on the negotiated dealing system (NDS) platform by the end of the day. The date of commencement of reporting would be finalised in consultation with market participants.
- With a view to moving towards settlement on T+1 basis, a Group comprising market participants would be constituted to suggest rationalisation and standardisation in respect of processing, settlement and documentation of CP issuance.

**Monetary Policy Department  
Central Office  
Mumbai – 400 001**

**Notification MPD. No. 257/07.01.279/2004-05**

**Dated October 26, 2004**

In exercise of the powers conferred by Sections 45J, 45K and 45L of Reserve Bank of India Act 1934 (2 of 1934) and all the powers enabling it in this behalf, the Reserve Bank of India being satisfied that it is necessary in the public interest to do so, hereby directs that the "Guidelines for Issue of Commercial Paper (CP)" issued vide Master Circular No. MPD.251/07.01.279/2004-05 dated July 1, 2004 shall be further amended in the following manner with effect from October 26, 2004.

***Paragraph 5 may be substituted by the following paragraph***

#### **Maturity**

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

(Rakesh Mohan)  
Deputy Governor