

RBI / 2006-2007/3  
DBOD.No. FID.FIC.1/ 01.02.00/2006-07

01 July, 2006  
10 Aashadha 1928(Saka)

**All-India Term Lending and Refinancing Institutions**  
(Exim Bank,IFCI Ltd., IIBI Ltd., NABARD, NHB, SIDBI and TFCI Ltd.)

Dear Sirs,

**Master Circular- Resource Raising Norms for Financial Institutions**

Please refer to Master Circular DBOD.No. FID.FIC.1/01.02.00/2005-06 dated August 13, 2005 on the captioned subject. The enclosed Master Circular consolidates and updates all the instructions/guidelines on the subject up to June 30, 2006. The Master Circular has also been placed on the RBI web-site (<http://www.rbi.org.in>).

2. It may be noted that the instructions contained in circulars listed in the Appendix have been consolidated in this master circular.

Yours faithfully,

(P.Vijaya Bhaskar)  
Chief General Manager

Encls : As above

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## **Master Circular on Resource Raising Norms for FIs**

### **1. Introduction**

The raising of resources, particularly for the short-term, by the select all-India financial institutions had been subject to regulation by the RBI (Monetary Policy Department) since the 1990s as an adjunct to Monetary Policy. Initially, RBI had prescribed instrument-wise limits for the select FIs up to which the FIs could mobilise resources through the specified instruments. The instrument-wise ceilings were replaced in May 1997 by “umbrella limit” which was linked to the ‘net owned funds’ of the FI concerned and constituted the overall ceiling for borrowing by the FI through the specified instruments. The system of umbrella limit continues to be in force even now though a few additional instruments have been included under the limit, over the years, as detailed at paragraph 2 below. Over the past decade, the Indian financial system has witnessed a number of developments, which had a bearing, either directly or indirectly, on the resource raising aspects of all India Financial Institutions (FIs). With the gradual phasing out of funding to the FIs from the Long-Term Operations (LTO) Funds of RBI and the discontinuance of the system of allocation of SLR bonds to them, FIs have been raising resources from the market by issuing bonds (both through public and privately placed issues). However, some of the FIs being statutory bodies were seeking the approval from SEBI while others, being limited companies were seeking approval from RBI for raising long term resources through bonds from the market. In order to ensure a level playing field , it was decided to subject all the FIs whether statutory bodies or limited companies to RBI regulations since 1998. Other changes, which have had a bearing on the resource raising capabilities of FIs, include progressive deregulation, introduction of hedging instruments such as interest rate swaps and forward rate agreements (IRS/ FRA), introduction of Asset Liability Management (ALM) system, etc. While the RBI had prescribed certain

norms on some of the aspects of issuance of bonds by the select all-India FIs from time-to-time since 1996, the foregoing developments necessitated a review of guidelines relating to resource raising of FIs, particularly through bond-issuance and RBI modified these guidelines on June 21, 2000 as enumerated at paragraph 3 below. In order to take decision expeditiously on the references relating to the Bonds Issue received from AIFIs, Reserve Bank has constituted a 'Standing Committee' in which the nominee of the FI concerned will also be invited. The meeting of the Standing Committee would be convened either on the same or the following day of receipt of the request from the concerned AIFI. AIFIs are required to furnish full particulars of the proposed bonds issue indicating the amount to be raised, the manner of raising the same, the purpose for which the funds will be utilised, special features of the proposed issue such as put/ call options etc., and the YTM on the bonds.

## **2. Norms for Resource Raising under the 'Umbrella Limit'**

The 'umbrella limit' at present consists of five instruments viz., term deposits, term money borrowings, certificates of deposits (CDs), commercial papers (CPs) and inter-corporate deposits (ICDs). The aggregate borrowings through these instruments should not any time exceed the net owned funds of the FIs concerned, as per its latest audited balance sheet. The terms and conditions relating to each of the instruments are furnished below.

### **2.1 Term Deposits**

The terms and conditions for mobilisation of resources by way of Term Deposits are tabulated below :

<b>Sr. No.</b>	<b>Item</b>	<b>Instructions</b>
<b>a.</b>	Aggregate amount	An FI may accept term deposits within the overall umbrella limit fixed by RBI, i.e term deposits along with other instruments viz. term money, CPs, CDs and inter corporate deposits should not exceed 100% of its net

		owned funds, as per the latest audited balance sheet.
<b>b.</b>	Maturity Period	1 to 5 years
<b>c.</b>	Interest Rates	FIs are free to fix Interest Rates
<b>d.</b>	Minimum size of deposit	Rs. 10,000/-
<b>e.</b>	Brokerage	1% of the deposits accepted
<b>f.</b>	Premature withdrawal of Term Deposits	<p>i) Premature withdrawal before completion of one year due to death of depositor, medical exigencies, educational expenditure and other such reasons the following norm is to be applied:</p> <p>(a) Premature withdrawal before six months - no interest to be paid</p> <p>(b) Premature withdrawal between six months and one year - interest rate not exceeding savings bank rate as specified by RBI for scheduled commercial banks be paid</p> <p>(ii) Beyond 1 year, FIs have freedom to fix their own penal rate of interest on premature withdrawal of deposits</p>
<b>g.</b>	Rating	Rating from Rating Agencies approved by SEBI, is mandatory.
<b>h.</b>	Other terms and conditions	FIs should not provide any loan against the term deposits accepted.

## 2.2 Term Money Borrowings

The terms and conditions for mobilisation of resources by way of Term Money Borrowings are summarised below:

<b>Sr. No.</b>	<b>Item</b>	<b>Instructions</b>
<b>a.</b>	Aggregate amount	An FI may raise term money within the overall umbrella limit fixed by RBI i.e., term money borrowings along with other instruments viz., term deposits, CPs, CDs and inter corporate deposits should not exceed 100% of its net owned funds, as per

		the latest audited balance sheet.
<b>b.</b>	Maturity Period	Not less than 3 months and not exceeding 6 months.
<b>c.</b>	Interest Rates	FIs are free to fix Interest Rates.
<b>d.</b>	Borrowings from	FIs are eligible to borrow 'term money' from Scheduled Commercial Banks and Co-operative banks only.

### 2.3 Certificates of Deposit (CDs)

<b>Sr. No.</b>	<b>Item</b>	<b>Instructions</b>
<b>a.</b>	Eligibility	CDs can be issued by select all-India Financial Institutions (FIs) that have been permitted by RBI to raise short term resources within the umbrella limit fixed by RBI
<b>b.</b>	Aggregate amount	An FI may issue CDs within the overall umbrella limit fixed by RBI, i.e., issue of CDs together with other instruments viz., term money, term deposits, CPs and inter corporate deposits should not exceed 100% of its net owned funds, as per the latest audited balance sheet.
<b>c.</b>	Denomination	Minimum amount of a CD should be Rs. 1 lakh i.e., the minimum deposit that can be accepted from a single subscriber should not be less than Rs 1 lakh. CD issued will be in multiples of Rs 1 lakh.
<b>d.</b>	Who can subscribe?	CDs can be issued to individuals (other than minors), corporations, companies, trusts, funds, associations, etc. Non Resident Indians may also subscribe to CDs.
<b>e.</b>	Maturity	FIs can issue CDs for a period not less than 1 year and not exceeding 3 years from the date of issue.
<b>f.</b>	Discount / coupon rate – fixed & floating	<p>CDs should be issued at a discount to face value but may also be issued as coupon bearing instruments.</p> <p>FIs are free to determine the discount / coupon rate.</p> <p>FIs are allowed to issue CDs on floating rate basis provided the methodology of compiling the floating rate is objective, transparent and</p>

		market based.
<b>g.</b>	Format	With effect from June 30, 2002, FIs should issue CDs only in the dematerialized form and any outstanding CDs were required to be converted into the demat form by October 2002. However, according to Depositories Act, 1996, investors have the option to seek certificates in physical form. Accordingly, if investor insists on physical certificate, the FI may issue such certificates in physical form but have to inform RBI about such instances separately.
<b>h.</b>	Transferability	CDs can be transferred as per procedure applicable to other demat securities. There is no lock-in period for the CDs.
<b>i.</b>	Loans/ Buybacks	FI cannot grant loans against CDs nor can they buyback their own CDs before maturity.
<b>j.</b>	Standardised Market Practices and Documentation	FIs may refer to the detailed guidelines issued by FIMMDA in this regard.

## 2.4 Commercial Papers (CPs)

<b>Sr. No.</b>	<b>Item</b>	<b>Instructions</b>
<b>a.</b>	Eligibility	All India Financial Institutions (FIs) that have been permitted to raise resources under the umbrella limit fixed by Reserve Bank of India are eligible to issue CPs.
<b>b.</b>	Aggregate amount	An FI may issue CPs within the overall umbrella limit fixed by RBI i.e., issue of CPs together with other instruments viz., term money, term deposits, CDs and inter corporate deposits should not exceed 100% of its net owned funds, as per the latest audited balance sheet.
<b>c.</b>	Period of issue	The total amount of CPs 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. CPs 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.  Every issue of CPs, including renewal, should

		be treated as a fresh issue.
<b>d.</b>	Denomination	CPs can be issued in denomination of Rs. 5 lakh or multiples thereof. Amount invested by single investor should not be less than Rs. 5 lakh (Face Value).
<b>e.</b>	Rating Requirement	<p>FIs shall obtain the credit rating for issuance of commercial paper from either the Credit Rating Information Services of India Limited (CRISIL) or the Investment Information and Credit Rating Agency (ICRA) or the Credit Analysis and Research Limited (CARE) or the FITCH Ratings India Pvt. Ltd. or such other credit rating agency as may be specified by Reserve Bank of India from time to time, for the purpose.</p> <p>The minimum credit rating shall be P-2 of CRISIL or equivalent rating by other agencies. The issuers shall ensure at the time of issuance of CP that the rating so obtained is current and has not fallen due for review.</p>
<b>f.</b>	Who can subscribe?	CPs may be issued to and held by individuals, banking companies, other corporate bodies registered or incorporated in India and unincorporated bodies, Non- Resident Indians (NRIs) and Foreign Institutional Investors (FIIs). However, investment by FIIs would be within the limit set for their investments by the Securities and Exchange Board of India (SEBI).
<b>g.</b>	Maturity	CPs can be issued for maturities between a minimum of 15 days and maximum upto one year from the date of issue. However, the maturity date of the CPs should not extend beyond the date up to which the credit rating of the issuer is valid.
<b>h.</b>	Discount	CPs should be issued at a discount to face value and the rate of discount may be determined by the FI.
<b>j.</b>	Transferability	CPs in physical form will be freely transferable by endorsement and delivery. The transferability of CPs in demat form will be governed by the guidelines issued by FIMMDA.
<b>k.</b>	Mode of Issuance	CPs can be issued either in form of a promissory note or in a dematerialised form through any of the depositories approved by



		<p>and registered with SEBI.</p> <p><b><u>Preference for dematerialised form</u></b></p> <p>While option is available to both issuers and subscribers to issue / hold CPs in dematerialised or physical form, issuers and subscribers are encouraged to prefer exclusive reliance on dematerialised form of issue/ holding. However, with effect from June 30, 2001, FIs are directed to make fresh investments and hold CPs only in dematerialised form.</p>
<b>I.</b>	Guarantee for Credit Enhancement	<p>Non-bank entities including corporates may provide unconditional and irrevocable guarantee for credit enhancement for CP issue provided :-</p> <p>(i) The issuer fulfills the eligibility criteria prescribed for issuance of CPs;</p> <p>(ii) The guarantor has a credit rating at least one notch higher than the issuer by an approved credit rating agency; and</p> <p>(iii) The offer document for CPs properly discloses the network of the guarantor company, the names of the companies to which the guarantor has issued similar guarantees, the extent of guarantees offered by the guarantor company and the conditions under which the guarantee would be invoked.</p>
<b>m.</b>	Reporting to RBI & Issuance of CPs	<p>Every issue of CPs should be reported to the CGM, IECD, Reserve Bank of India through the Issuing and Paying Agent (IPA) within three days from the date of completion of the issue in Schedule II, furnished at Annexure I.</p> <p>The initial investor in CPs shall pay the discounted price by means of a crossed account payee cheque to the account of the issuing institution through the IPA.</p>
<b>n.</b>	Repayment of CPs	<p>On maturity of CPs, when the CPs is held in physical form, the holder of the CP shall present the instrument for repayment to the</p>

		issuer through the (IPA). However, when the CP is held in demat form, the holder of the CPs will have to get it redeemed through the depository and receive payment through IPA.
<b>o.</b>	Role of the issuer	<p>a. Every issuer must appoint an IPA for issuance of CPs.</p> <p>b. The issuer should disclose to the potential investors its financial position as per the standard market practice.</p> <p>c. After the exchange of deal confirmation between the investor and the issuer, the issuing company shall issue physical certificates to the investor or arrange for crediting the CPs to the investor's account with a depository.</p> <p>d. Investor shall be given a copy of IPA certificate to the effect that the issuer has a valid agreement with the IPA and documents are in order. ( as per Schedule III given in Annexure II)</p>
<b>p.</b>	Issuing and Paying Agent	Only a Scheduled Bank can act as an IPA for issuance of CPs.
<b>q.</b>	Underwriting / co-acceptance of CP issue	No issuer shall have the issue of Commercial Paper underwritten or co-accepted.
<b>r.</b>	Standardised Market Practices and Documentation	FIs may refer to the guidelines issued by FIMMDA in this regard.

## 2.5 Inter Corporate Deposits

RBI has not prescribed any norms for raising of resources through ICDs by the FIs. However, the FIs which are structured as companies under the Companies Act 1956, are eligible to issue ICDs as permissible under the Act. However, in case the resources are raised through ICDs, the amount should be within the overall umbrella limit fixed by RBI, i.e. issue of ICDs together with other instruments viz. term money, term deposits, CDs and CPs should

not exceed 100% of its net owned funds, as per the latest audited balance sheet.

### **3. Norms regarding Issue of Bonds/Debentures**

#### **3.1 Issue of Bonds/Debentures**

**3.1.1** FIs are not required to seek Reserve Bank's, issue-wise prior approval/ registration for raising of resources by way of issue of bonds, whether by public issue or through private placement, subject to the fulfillment of the following conditions:

- i. The minimum maturity of the bond should be 3 years;
- ii. In respect of bonds having call / put or both options, the same should not be exercisable before the expiry of one year from the date of issue of bonds;
- iii. The yield to maturity (YTM) offered, at the time of issue of bonds, should not exceed 200 basis points above the YTM on the Government of India securities of equal residual maturities. The effective YTM on instruments having call / put options should also satisfy this requirement;
- iv. No 'Exit' option on the bonds should be offered before the end of one year, from the date of issue.

**3.1.2** The outstanding of total resources mobilised at any point of time by an FI, including the funds mobilised under the 'umbrella limit', as prescribed by the Reserve Bank, should **not exceed 10 times its net owned funds (NOF)** as per its latest audited balance sheet.

**3.1.3** The limit fixed for raising resources is only an enabling provision. FIs are advised to arrive at their requirements of resources along with maturity structure and the interest rate offered thereon on a realistic basis, derived, *inter alia*, from a sound system of ALM / Risk Management.

- 3.1.4** In case of floating rate bonds, FIs should seek prior approval from Reserve Bank, in regard to 'reference rate' selected and the methods of floating rate determination. The same is not required for subsequent individual issues so long as the underlying reference rate and method of floating rate determination remain unchanged.
- 3.1.5** FIs should take note to comply with the prudential requirements of other regulatory authorities such as SEBI, etc.
- 3.1.6** FIs are required to furnish monthly statements to RBI, in the formats at Annexure III and IV, giving details on the resources raised. The statements as at the end of a month are required to be furnished on or before the 10th day of the following month. The details in respect of public issue of bonds are to be incorporated in the statement for the month during which the respective issue is closed.
- 3.1.7** The statements are to be sent to the Chief General Manager, Financial Institutions Division, Department of Banking Operations and Development, Reserve Bank of India, Central Office, World Trade Centre, Cuffe Parade, Mumbai - 400 005; Fax No. 2218 3579.

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**SCHEDULE II**

**Proforma of information to be submitted by the Issuer for issue of  
Commercial Paper  
To be submitted to The Reserve Bank through the Issuing and Paying Agent (IPA)**

To :

The Chief General Manager  
Industrial and Export Credit Department  
Reserve Bank of India  
Central Office,  
Mumbai – 400 001.

Through: (*Name of IPA*)

Dear Sir,

**Issue of Commercial Paper**

In terms of the Guidelines for issuance of commercial paper issued by the Reserve Bank dated October 10, 2000, we have issued Commercial Paper as per details furnished hereunder:

- i) Name of the Issuer :
- ii) Registered Office and Address :
- iii) Business activity :
- iv) Name/s of Stock Exchange/s with whom shares of the issuer are listed ( if applicable ) :
- v) Tangible net worth as per latest audited balance sheet (copy enclosed) :
- vi) Total Working Capital Limit :
- vii) Outstanding Bank Borrowings :
- viii) (a) Details of Commercial Paper issued (Face Value) : Date Date Amount Rate

- |     | of<br>Issue   | of<br>Maturity        |
|-----|---|-----------------------|
| i)  |   |                       |
| ii) |   |                       |
| (b) | Amount of CP outstanding (Face Value) :<br>including the present issue  |                       |
| ix) | Rating(s) obtained from the Credit<br>Rating Information Services of<br>India Ltd. (CRISIL) or any other<br>agency approved by the Reserve<br>Bank (A copy of the rating<br>certificate should be enclosed) | : i)<br>ii)<br>iii)   |
| x)  | Whether standby facility has been<br>provided in respect of CP issue ?  |                       |
| xi) | If yes  |                       |
|     | (i) the amount of the<br>standby facility   | : Rs.           Crore |
|     | (ii) provided by<br>(Name of bank/FI)   |                       |

For and on behalf of

-----  
(Name of the issuer)

**ANNEXURE II****SCHEDULE III**  
**CERTIFICATE**

We have a valid IPA agreement with the \_\_\_\_\_.  
(Name of Issuing Company/Institution)

2. We have verified the documents viz., board resolution and certificate issued by  
Credit Rating Agency submitted by

\_\_\_\_\_  
(Name of the Issuing Company/Institution)

and certify that the documents are in order. Certified copies of original documents are held in our custody.

3.\* We also hereby certify that the signatures of the executants of the attached Commercial Paper bearing Sr.No. \_\_\_\_\_ dated \_\_\_\_\_ for Rs. \_\_\_\_\_  
(Rupees \_\_\_\_\_)  
(in words)

tally with the specimen signatures filed by \_\_\_\_\_

(Name of the Issuing Company/Institution)

(Authorised Signatory/Signatories)  
(Name and address of Issuing and Paying Agent)

Place :

Date :

\* (Applicable to CP in physical form)

**ANNEXURE III****Monthly Consolidated Return on Aggregate Resources Raised**

1. Reporting Institution :
2. Report for the month ended :
3. Date of Report :
4. Overall Borrowing limit (10 times of NOF) : Rs. .... ..crore.
5. NOF as per the Audited Balance Sheet dated  
.....Rs.....crore
6. Amount of Borrowing outstanding  
as at the end of the month.....: Rs.....crore

**(Rs. in crore with no decimals)**

<b>Instruments through which Resource raised during the Month.....</b>	<b>Amount</b>
<b>'Instruments under 'Umbrella Limit' (one time NOF)</b>	
1.Term Deposits	
2.Term Money	
3.Certificates of Deposit (CDs)	
4.Inter-Corporate Deposits (ICDs)	
5.Commercial Paper	
Total (1 to 5)	
B. Bonds	
<b>Total (A + B)</b>	



**ANNEXURE IV****Monthly Return on Resources Raised through Bonds**

Total amount raised during the month Rs.....crore

Cumulative amount raised during the year (April –March) Rs.....crore.

	<b>Date of issue of bonds#</b>	<b>Amount raised during the month @</b>	<b>Maturity</b>	<b>Options (call / put / both)</b>	<b>Interest rate (% per annum)</b>	<b>Annualised YTM Offered</b>	<b>Annualised YTM on Gov securities (of equal residual maturity at the time of issue of bond)</b>	<b>Yield(basis points) above GOI securities</b>
<b>A. Public Issue Of Bonds</b>								
Type of Instrument								
i)								
ii)								
iii)								
<b>Total (A)</b>								
<b>B. Private Placement of Bonds</b>								
Type of instrument								
i)								
ii)								
iii)								
iv) Bonds on tap, if any (mention period of tap)								
<b>Total (B)</b>								
<b>Grand Total (A+B)</b>								

@ only the issue that has already been completed to be included.

# the date of issue open for public subscription / private placement to be mentioned.

## List of circulars consolidated in the Master Circular

No.	Circular No.	Date	Subject
1.	MPD. 245/ 07.01.279/ 2003-2004	05.01.2004	Term Deposits: Premature Withdrawal
2.	DBS. FID No. C-6/ 01.02.00 /2003-2004	06.08.2003	Guidelines for issuance of Commercial Paper (CP)
3.	DBS. FID. No. C-9 / 01.02.00/2002-03	25.11.2002	Mid-term Review of Monetary and Credit Policy 2002-03 - Certificates of Deposit (CDs)
4.	DBS. FID. No. C- 18 / 01.02.00/ 2000-01	20.06.2002	Certificates of Deposits- Minimum and Multiple Requirements
5.	DBS. FID. No. C-15 / 01.02.00/2001-02	29.04.2002	Issue of Certificates of Deposit in Dematerialised Form
6.	DBS. FID. No. C-4 / 01.02.00/2001-02	28.08.2001	Holding of Instruments in dematerialised form
7.	IECD.2/08.15.01 /2001-02	23.07.2001	Guidelines for Issue of Commercial Paper.
8.	DBS. FID. No. C-12 / 01.02.00 /2000-01	05.12.2000	Raising of Resources by all- India FIs- Monthly Returns
9.	DBS. FID. No. C-6 / 09.01.02/ 2000-01	10.10.2000	Development in the Money Market- Rating of Term deposits
10.	DBS. FID. No. C-21 / 09.01.02 /99-2000	21.06.2000	Raising of Resources by all- India FIs
11.	DBS. FID. No.33 / 09.01.02/ 98-99	14.11.1998	Raising of Resources by FIs - Issue of Bonds Through Private Placement
12.	DBS. FID. No. 30/ 01.02.00/ 98-99	09.07.1998	Standing Committee on Issue of Bonds by AIFIs- Constitution of
13.	DBS. FID. No. 28/ 01.02.00/ 97-98	26.03.1998	Raising of Resources by FIs- Issue of Bonds
14.	CPC2774/07.01.279 (FIs) / 96-97	03.05.1997	Mobilisation of Resources by Financial Institutions
15.	FIC No. 817/ 01.02.00 /95-96	27.05.1996	Short Term Borrowings by FIs