

All Standalone Primary Dealers

Dear Sir

### **Raising resources through Inter Corporate Deposits (ICDs)**

Please refer to paragraph 3.6 of the [Master Circular RBI/2010-11/81 IDMD.PDRD.01/03.64.00/2010-11 dated July 1, 2010](#) on Operational Guidelines to Primary Dealers allowing standalone PDs to raise ICDs to the extent of 50 per cent of their net owned funds (NOF) subject to adherence to other terms and conditions.

2. The above guidelines have been reviewed and it has been decided to permit the standalone PDs to raise funds through ICDs upto 75 per cent of their NOF as at the end of March of the preceding financial year. Further, standalone PDs are allowed to raise ICDs depending on their funding needs. Accordingly, paragraph 3.6 of the Master Circular *ibid* is amended as under:

#### **Existing paragraph:**

### **3.6 Inter-Corporate Deposits**

**3.6.1** ICDs may be raised by PDs sparingly and should not be used as a continuous source of funds. After proper and due consideration of the risks involved, the Board of Directors of the PD should lay down the policy in this regard, which among others, should include the following general principles:

- i. While the ceiling fixed on ICD borrowings should in no case exceed 50 per cent of the NOF as at the end of March of the preceding financial year, it is expected that actual dependence on ICDs would be much below this ceiling.
- ii. ICDs accepted by PDs should be for a minimum period of one week.
- iii. ICDs accepted from parent/promoter/group companies or any other related party should be on "arms length basis" and disclosed in financial statements as "related party transactions".
- iv. Funds raised through ICDs are subject to ALM discipline.

**3.6.2** PDs are prohibited from placing funds in ICD market.

#### **Revised paragraph:**

### **3.6 Inter-Corporate Deposits**

**3.6.1** ICDs may be raised by PDs as per their funding needs. After proper and due consideration of the risks involved, the Board of Directors of the PD should lay down the policy in this regard, which among others, should include the following general principles:

- i. The ICD borrowings should in no case exceed 75 per cent of the NOF as at the end of March of the preceding financial year.
- ii. ICDs accepted by PD should be for a minimum period of one week.
- iii. ICDs accepted from parent/promoter/group companies or any other related party should be on "arms length basis" and disclosed in financial statements as "related party transactions".
- iv. Funds raised through ICDs are subject to ALM discipline.

**3.6.2** PDs are prohibited from placing funds in ICD market.

3. The above guidelines are effective from the date of this circular.

Yours faithfully

(K.K Vohra)  
Chief General Manager