



RBI/2013-14/115

DNBS(PD) CC No.349/03.10.001/2013-14

July 02, 2013

All NBFCs (including PDs)

Dear Sirs

**Raising Money through Private Placement by NBFCs-Non-Convertible  
Debentures (NCDs) -Clarification**

Please refer to our circular [DNBS \(PD\) CC No.330/03.10.001/2012-13 dated June 27, 2013](#).

2. We have received a number of queries in the matter from the industry. The main refrain of the sector is that the withdrawal of the current facility of issuing NCDs without any restrictions would result in adversely impacting their Asset Liability Management (ALM). In this connection, it is clarified, that the freedom currently available to NBFCs to raise funds through NCDs without any restriction has resulted in inadequate resource planning and higher transaction cost. One of the main objectives of the said circular is to promote discipline in resource planning and raising.

3. Nevertheless, in order to facilitate the process of moving into a more robust ALM in a non-disruptive manner, it has been decided that the instruction with regard to minimum gap between two successive issuances of privately placed NCDs may not be operationalized immediately. A decision on the appropriate minimum time gap would be taken by the Bank in due course. NBFCs, in the meantime, are advised to put in place before the close of business on September 30, 2013, a Board approved policy for resource planning which, inter-alia, should cover the planning horizon and the periodicity of private placement.

4. With regard to some of the other issues on which clarifications were sought by the industry, the position is as under:

i. Keeping in view the Primary Dealers' obligations with regard to G-Sec market, it has been decided that the provisions of the said circular shall not be applicable to Primary Dealers.

ii. The restrictions contained in paragraph 2.iii of the Annex to the Circular shall not be applicable to Core Investment Companies.

iii. The provisions of paragraph B of the Annex to the said circular shall not apply to subordinated debt, as defined under paragraph 2(1)(xvii) of the Non-Banking Financial (Non-Deposit Accepting or Holding Companies Prudential Norms (Reserve Bank) Directions, 2007.

5. Further, paragraph 1.i of Annex to the circular may be read as follows:

*“private placement means non-public offering of NCDs by NBFCs to such number of select subscribers and such subscription amounts, as may be specified by the Reserve Bank from time to time. ”.*

6. There shall be no change in the other provisions of the said circular.

Yours faithfully,

(N. S. Vishwanathan)  
Principal Chief General Manager