



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**

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RBI/2008-09/425

DBOD.No.BP.BC. 120 /21.01.002/2008-2009

April 2, 2009

The Chairman and Managing Director/  
Chief Executive Officers of Commercial Banks  
(Excluding Foreign Banks, RRBs and LABs)

Dear Sir

**Guidelines for issuing preference shares as part of regulatory capital**

Please refer to our circular [DBOD.No.BP.BC.42/21.01.002/2007-08](#) dated October 29, 2007 on the Guidelines for issuing preference shares as part of regulatory capital.

2. It has been decided to partially modify Para 1.7 (b) & (c) of Annex –I and Para 1.8.1(d) & (e), Para 1.8.2 of Annex- II of the circular which will read as follows:

**Annex –I**

**Guidelines on Perpetual Non-Cumulative Preference Shares (PNCPS) as part of Tier I capital**

**1.7 Payment of Dividend**

(b) The dividend shall not be cumulative. i.e., dividend missed in a year will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum. When **dividend is paid at a rate lesser than the prescribed rate, the unpaid amount will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum.**

(c) All instances of non-payment of dividend / **payment of dividend at a lesser rate than prescribed** in consequence of conditions as at (a) above should be reported by the issuing banks to the Chief General Managers-in-Charge of



Department of Banking Operations & Development and Department of Banking Supervision, Central Office of the Reserve Bank of India, Mumbai.

**Annex –II**  
**Terms and conditions applicable to**  
**Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-**  
**Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference**  
**Shares (RCPS) as part of Upper Tier 2 Capital**

**1.8 Payment of coupon**

1.8.1 The coupon payable on these instruments will be treated as interest and accordingly debited to P& L Account. However, it will be payable only if

(d) In the case of PCPS and RCPS the unpaid/**partly unpaid** coupon will be treated as a liability. The interest amount due and remaining unpaid may be allowed to be paid in later years subject to the bank complying with the above requirements.

(e) In the case of RNCPS, deferred coupon will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum. **The bank can however pay a coupon at a rate lesser than the prescribed rate, if adequate profit is available and the level of CRAR conforms to the regulatory minimum.**

1.8.2. All instances of non-payment of interest/ **payment of interest at a lesser rate than prescribed rate** should be notified by the issuing banks to the Chief General Managers-in-Charge of Department of Banking Operations & Development and Department of Banking Supervision, Central Office of the Reserve Bank of India, Mumbai.

3. Please acknowledge receipt.

Yours faithfully,

( Prashant Saran )  
Chief General Manager-In-Charge