



**RESERVE BANK OF INDIA
Mumbai - 400 001**

RBI/2016-17/107

A.P. (DIR Series) Circular No. 14

November 03, 2016

To

All Category-I Authorised Dealer Banks

Madam / Dear Sir

Issuance of Rupee denominated bonds overseas by Indian banks

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the measures announced by the Reserve Bank on August 25, 2016 for development of Fixed Income and Currency Markets in India which, inter alia, proposed to permit banks to issue Rupee Denominated Bonds overseas for their capital requirements and for financing infrastructure and affordable housing and [Circular DBR.BP.BC.No.28/21.06.001/2016-17 dated November 3, 2016](#).

2. In line with the announcement made, with a view to developing the market of Rupee Denominated Bonds overseas, as also providing an additional avenue for Indian banks to raise capital / long term funds, it has been decided, after consultation with the Government, to allow Indian banks, within the limit set for foreign investment in corporate bonds (INR 244323 crore at present), to issue:

- i. Perpetual Debt Instruments (PDI) qualifying for inclusion as Additional Tier 1 capital and debt capital instruments qualifying for inclusion as Tier 2 capital, by way of Rupee Denominated Bonds overseas; and
- ii. Long term Rupee Denominated Bonds overseas for financing infrastructure and affordable housing.

3. Provisions contained in [A.P. \(DIR Series\) circular No. 17 dated September 29, 2015](#) and [A.P. \(DIR Series\) circular No.60 dated April 13, 2016](#) on Issuance of Rupee Denominated Bonds Overseas read with paragraph No. 3.3.2 and 3.3.3 of [Master Direction No.5 dated January 1, 2016](#) on External

Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers as amended from time to time, which allow Indian banks to participate in the space of Rupee Denominated Bonds Overseas only as arrangers and underwriters but not as issuers, accordingly, stand modified for the limited purpose of treating Indian banks as eligible borrowers under this route. The instruments (PDI and debt capital instruments) and long terms bonds, as mentioned in paragraph 2 above, issued by Indian banks by way of Rupee Denominated Bonds overseas should, however, conform to the provisions contained in the [Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 01, 2015](#) on 'Basel III Capital Regulations' and [Circular DBOD.BP.BC.No. 25/08.12.014/2014-15 dated July 15, 2014](#) on 'Guidelines on Issue of Long Term Bonds by Banks – Financing of Infrastructure and Affordable Housing' issued by the Reserve Bank and as amended from time to time. Further, underwriting by overseas branches/subsidiaries of Indian banks for such issuances will not be allowed.

4. All other provisions of aforesaid circulars dated September 29, 2015 and April 13, 2016 remain unchanged.

5. The changes / revised instructions in respect of issuance of Rupee denominated bonds will be applicable from the date of issuance of this circular.

6. Relevant paragraphs of the [Master Direction No. 5 dated January 01, 2016](#) are being updated to reflect the changes.

7. The directions contained in this circular have been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

(Shekhar Bhatnagar)

Chief General Manager-in-charge