Annex I

Guidelines on Subordinated Debt (SD) Bonds (Tier 2 capital)

(1) The amount to be raised may be decided by the Board of Directors of the SPD.

(2) The SPDs may fix coupon rates as decided by their Board.

(3) The instruments should be 'plain vanilla' with no special features like options, etc.

(4) The debt securities should carry a credit rating from a Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI).

(5) The issue of SD instruments should comply with the relevant guidelines issued by SEBI.

(6) In case of unlisted issues of SD, the disclosure requirements as prescribed by the SEBI for listed companies in terms of the above guidelines should be complied with.

(7) Necessary permission from the Foreign Exchange Department of the Bank should be obtained for issuing the instruments to Non-Resident Indians/Foreign Institutional Investors (FIIs). SPDs should comply with the terms and conditions, if any, prescribed by SEBI / other regulatory authorities with regard to issue of the instruments.

(8) Investments by SPDs in SD of other PDs/banks will be assigned 100% risk weight for capital adequacy purpose. Further, the SPD’s aggregate investments in Tier 2 bonds issued by other PDs, banks and financial institutions should be restricted to 10 percent of the investing SPD's total capital funds. The capital funds for this purpose will be the same as those reckoned for the purpose of capital adequacy.

(9) The SPDs should submit a report to the Chief General Manager, Department of Supervision (DOS), RBI, giving details of the capital raised, such as, amount raised, maturity of the instrument, rate of interest together with a copy of the offer document, soon after the issue is completed.