



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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FINANCIAL MARKETS REGULATION DEPARTMENT
Notification No. FMRD.DIRD.XX /XX.XX.XXX/2020-21 dated December 4, 2020

Draft Certificate of Deposit (Reserve Bank) Directions, 2020

In exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 (hereinafter called the Act) read with section 45U of the Act and in supersession of Section III of the [FMRD Master Direction No. 2/2016-17 dated July 07, 2016](#), the Reserve Bank of India (hereinafter called the Reserve Bank) hereby issues the following Directions to all entities / agencies eligible to deal in Certificate of Deposit.

1. Short title, scope and commencement

- (a) These Directions shall be called the Certificate of Deposit (Reserve Bank) Directions 2020.
- (b) These Directions shall come into force with effect *<a specified date>*.

2. Definitions

- (a) For the purpose of these Directions, unless the context otherwise requires:
- (i) **Benchmark Interest Rates** means interest rates administered by Financial Benchmark Administrators.
- (ii) **Certificate of Deposit (CD)** is a negotiable, unsecured money market instrument issued by a bank as a Usance Promissory Note against funds deposited at the bank for a specified time period.
- (iii) **Delivery versus Payment (DVP)** means a settlement mechanism which stipulates that transfer of funds from the buyer of securities is made simultaneously with the transfer of securities by the seller of securities.
- (iv) **Depository** shall have the meaning assigned in Section 2 (e) of the Depositories Act, 1996 (22 of 1996).



- (v) **Electronic Trading Platform (ETP)** shall have the meaning assigned in paragraph 2(1) (iii) of the [Electronic Trading Platforms \(Reserve Bank\) Directions, 2018 dated October 05, 2018](#) or as modified from time to time.
- (vi) **Financial Benchmark Administrator (FBA)** means a person who controls the creation, operation and administration of financial benchmark(s) authorized under [Financial Benchmark Administrators \(Reserve Bank\) Directions, dated June 26, 2019](#).
- (vii) A **Non-resident** means and includes a 'person resident outside India' as defined in section 2 (w) of Foreign Exchange Management Act, 1999 (42 of 1999).
- (viii) **Over-the-Counter (OTC) markets** refers to markets where transactions are undertaken in any manner other than on exchanges and shall include those undertaken on electronic trading platforms (ETPs).
- (ix) **Recognized stock exchanges** shall have the meaning assigned in Section 2 (f) of the Securities Contract Regulation Act, 1956.
- (x) **Person resident in India** shall have the same meaning assigned to it in Section 2 (v) of the Foreign Exchange Management Act, 1999.
- (xi) **Small Finance Banks** means banks licensed in terms of the Reserve Bank [Guidelines for Licensing of Small Finance Banks dated November 27, 2014](#), as amended from time to time.
- (b) Words and expressions used but not defined in these Directions shall have the meaning assigned to them in the Reserve Bank of India Act, 1934.

3. Eligible issuers

- (a) Certificates of Deposit (CDs) can be issued by:
- (i) Scheduled Commercial Banks (excluding Regional Rural Banks);
 - (ii) Small Finance Banks.

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फोन: (91-22) 2260 1000, ई-मेल: cgmfmrd@rbi.org.in



(b) CDs issued by the All India Financial Institution shall be guided by the Directions contained in [Master Circular No. FID.FIC.1/01.02.00/2015-16](#) issued by the Reserve Bank on Resource Raising Norms for Financial Institutions dated July 01, 2015, as amended from time to time.

4. Eligible investors

CDs can be issued to all persons resident in India and to non-residents to the extent permitted under the Foreign Exchange Management Act (FEMA), 1999.

5. General Guidelines

(a) Primary issuance

- (i) CDs shall be issued only in dematerialised form and held with a depository registered with Securities and Exchange Board of India.
- (ii) CDs shall be issued in minimum denomination of ₹5 lakh and in multiples of ₹5 lakh thereafter.
- (iii) The tenor of a CD at issuance shall not be less than seven days and shall not exceed one year.
- (iv) CDs shall be issued on a T+1 basis where T represents the date of closure of the offer period for issuance of the CDs.

(b) Discount/coupon rate

- (i) CDs may be issued at a discount to the face value.
- (ii) CDs can also be issued on a fixed / floating rate basis provided the interest rate on the floating rate CD is reset periodically and is linked to a benchmark published by a Financial Benchmark Administrator or approved by the Fixed Income Money Market and Derivatives Association of India (FIMMDA) for this

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purpose. FIMMDA shall ensure that any floating rate approved by them for this purpose is determined transparently, objectively and in arm's length transactions.

(c) Secondary market - trading venue and settlement

- (i) CDs shall be traded either in Over the Counter (OTC) markets, including on Electronic Trading Platforms (ETPs), or on recognised stock exchanges with the approval of the Reserve Bank.
- (ii) The settlement cycle for OTC trades in CDs shall be T+0 or T+1
- (iii) All secondary market transactions in CDs shall be settled on a DvP basis through the clearing corporation of any recognized stock exchange or any other mechanism approved by the Reserve Bank.

(d) Loans against CDs

Banks are not permitted to grant loans against CDs. However, the Reserve Bank may relax this restriction through a separate notification.

(e) Buyback of CDs

- (i) Issuing banks are permitted to buyback CDs before maturity. Buyback of CDs shall be subject to the following conditions:
 - I. Buyback of CDs can be made only 30 days after the date of issue of the CD;
 - II. The buyback offer shall be made to all investors in a particular CD issue on identical terms and conditions. The investors shall have the option to accept or reject the buyback offer;
 - III. Buyback of CDs shall be at the prevailing market price; and
 - IV. CDs bought back, partially or in full, shall be extinguished.

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(f) Market timing

Primary issuance and secondary market trading hours shall be between 9:00 AM and 5:00 PM on a working day or as specified by the Reserve Bank from time to time.

(g) Repayment of CD

- (i) There will be no grace period for repayment of CDs.
- (ii) Banks shall fix the period of deposit in such a manner that the maturity date does not coincide with a scheduled holiday.
- (iii) If an unscheduled holiday is declared and falls on the maturity date, the issuing bank shall make payment on the immediate preceding working day. In case the payment cannot be made on the immediate preceding working day (e.g., on account of the unscheduled holiday being declared after market hours on the immediate preceding working day), the issuing bank shall make payment on the next working day.

(h) Market Practices and Documentation

Participants / agencies in the CD market shall follow any standardised procedures and documentation which may be prescribed by FIMMDA, in consultation with the Reserve Bank, for operational flexibility and smooth functioning of the markets.

(i) Reserve Requirements

Reserve requirements in respect of the CDs issued by banks shall be governed by relevant regulations of the Reserve Bank.

(j) Accounting

Accounting for CD transactions shall be as per the applicable accounting standards prescribed by the Institute of Chartered Accountants of India (ICAI) or other

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standard setting organisations or as specified by the relevant regulations of the Reserve Bank.

6. Reporting requirements

- (a) Primary issuances:** Details of primary issuance of a CD shall be reported by the issuer on the Financial Market Trade Reporting and Confirmation Platform (“F-TRAC”) of Clearcorp Dealing System (India) Ltd by 5.30 PM on the day of issuance or as decided by the Reserve Bank from time to time.
- (b) Secondary market transactions:** All secondary market transactions other than those on the exchanges in CDs shall be reported, with time stamp, within 15 minutes of execution (the time when price is agreed) on the F-TRAC platform.
- (c) Secondary market transactions on exchanges:** All secondary market transactions in CDs undertaken on recognised stock exchanges shall be reported on the F-TRAC platform by the exchanges after the close of business on the same day.
- (d) Buyback transactions:** Details of the buyback of a CD shall be reported by the issuer on the F-TRAC platform in the prescribed format by 5.30 PM on the day of buyback.
- (e) Reporting by depositories:** The depositories shall report to the Reserve Bank, the details of the CDs held with them in the dematerialised form, in the prescribed format furnished in [Annex I](#), at fortnightly intervals (on the 15th day and on the last day of the month) and as and when called upon to do so by the Reserve Bank.

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7. Obligation to provide information sought by the Reserve Bank: The Reserve Bank may call for any information or seek any clarification from eligible participants / agencies in the CD market which in the opinion of the Reserve Bank is relevant and the participant/agency shall furnish such additional information and clarification within the time frame specified.

8. Dissemination of data: The Reserve Bank or any other agency authorised by it, may, in public interest, publish any anonymized data related to primary and secondary market transactions in CDs.

9. Violation of Directions: The Reserve Bank may disallow any entity that has violated any of these Directions from accessing the CD market for a period not exceeding one month at a time. No such action shall be taken by the Reserve Bank without providing reasonable opportunity to the entity to defend its actions. All instances of such action shall be made public by the Reserve Bank.

10. Applicability of other laws, directions, regulations or guidelines: Participants in CD market shall abide by the provisions of any directions, regulations or guidelines issued by any regulator or any other authority that may be applicable, in respect of issue of or investment in CDs provided that such directions, regulations or guidelines do not conflict with these Directions. In case of any conflicts, the provisions of these Directions shall prevail.

11. These Directions shall apply to transactions in Certificate of Deposit entered into from the date the Directions come into effect. Existing Directions will continue to be applicable to the CDs issued in accordance with the said Directions till the maturity of those CDs.

(Dimple Bhandia)
Chief General Manager

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Annex I

Details of the outstanding Certificates of Deposit (CDs) held with _____ as on _____

Serial No.	Name of Issuer	Issuer Code	Issuer Category	ISIN	Security Description	Maturity Date	Residual Tenor (Days) as on	Investor Name	Investor Scheme Name, if any	Investor Category	Amount in ₹ Cr. (FV)

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