



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**  
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July 1, 2011

The Chairmen/Chief Executives of  
All Scheduled Banks, Primary Dealers  
and All-India Financial Institutions

Dear Sir/Madam,

**Master Circular - Guidelines for Issue of Commercial Paper**

Commercial Paper (CP), an unsecured money market instrument issued in the form of a promissory note, was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and provide an additional instrument to the investors.

2. A Master Circular incorporating all the existing guidelines/instructions/ directives on the subject has been prepared for reference of the market participants and others concerned. It may be noted that this Master Circular consolidates and updates all the instructions/guidelines contained in the circulars listed in the Appendix in so far as they relate to guidelines for issue of CP. This Master Circular has been placed on RBI website at [www.mastercirculars.rbi.org.in](http://www.mastercirculars.rbi.org.in).

Yours faithfully,

(K. K. Vohra)  
Chief General Manager

Encl. As above

<b>Table of Content</b>		
<b>Sl. No.</b>	<b>Topic</b>	<b>Page No</b>
1	Introduction	2
2	Eligible issuers of CP	2
3	Rating Requirement	2
4	Maturity	3
5	Denominations	3
6	Limits & Amount of Issue of CP	3
7	Issuing and Paying Agent (IPA)	3
8	Investment in CP	3
9	Trading in CP	4
10	Mode of Issuance	4
11	Preference for Dematerialisation	4
12	Payment of CP	4
13	Stand-by Facility	4
14	Procedure for Issuance	5
15	Role and Responsibilities	5
16	Documentation Procedure	7
17	Defaults in CP market	7
18	Non-applicability of Certain Other Directions	7
19	Definitions	7
	Schedules	
	Schedule I	8
	Schedule II	10
	Schedule III	11
	Annexes	
	I. Details of Defaults on Repayment of CP	13
	II. Definitions	14
	Appendix: List of Circulars Consolidated	15

## **1. Introduction**

Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. CP, as a privately placed instrument, was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Subsequently, primary dealers (PDs) and all-India financial institutions were also permitted to issue CP to enable them to meet their short-term funding requirements. The guidelines for issue of CP, incorporating all the amendments issued till date, are given below for ready reference.

## **2. Eligible issuers of CP**

2.1 Corporates, PDs and all-India financial institutions (FIs) that have been permitted to raise short-term resources under the umbrella limit (as defined in paragraph 6.2 below) fixed by the Reserve Bank of India (RBI) are eligible to issue CP.

2.2. A corporate would be eligible to issue CP provided: (a) the tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs.4 crore; (b) the company has been sanctioned working capital limit by bank/s or FIs; and (c) the borrowal account of the company is classified as a Standard Asset by the financing bank/institution.

## **3. Rating Requirement**

All eligible participants shall obtain credit rating for issuance of CP from any one of the following credit rating agencies (CRAs), viz. the Credit Rating Information Services of India Ltd. (CRISIL), the Investment Information and Credit Rating Agency of India Ltd. (ICRA), the Credit Analysis and Research Ltd. (CARE), the FITCH Ratings India Pvt. Ltd. and such other CRAs as may be specified by the RBI from time to time, for the purpose. The minimum credit rating shall be P-2 of CRISIL or such equivalent rating by other CRAs. The issuers shall ensure at the time of issuance of the CP that the rating so obtained is current and has not fallen due for review.

#### **4. Maturity**

CP can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue. The maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid.

#### **5. Denominations**

CP can be issued in denominations of Rs.5 lakh or multiples thereof. Amount invested by a single investor should not be less than Rs.5 lakh (face value).

#### **6. Limits and the Amount of Issue of CP**

6.1 CP can be issued as a "stand alone" product. The aggregate amount of CP from an issuer shall be within the limit as approved by its Board of Directors or the quantum indicated by the CRA for the specified rating, whichever is lower. Banks and FIs will, however, have the flexibility to fix working capital limits, duly taking into account the resource pattern of company's financing, including CPs.

6.2 An FI can issue CP within the overall umbrella limit prescribed in the Master Circular on Resource Raising Norms for FIs, issued by DBOD and updated from time-to-time.

6.3 The total amount of CP proposed to be issued should be raised within a period of two weeks from the date on which the issuer opens the issue for subscription. CP may be issued on a single date or in parts on different dates provided that in the latter case, each CP shall have the same maturity date.

6.4 Every issue of CP, including renewal, should be treated as a fresh issue.

#### **7. Issuing and Paying Agent (IPA)**

Only a scheduled bank can act as an IPA for issuance of CP.

#### **8. Investment in CP**

CP may be issued to and held by individuals, banking companies, other corporate bodies (registered or incorporated in India) and unincorporated bodies, Non-Resident Indians and Foreign Institutional Investors (FIIs). However, investment by FIIs would be within the limits set for them by Securities and Exchange Board of India (SEBI).

## **9. Trading in CP**

All OTC trades in CP shall be reported within 15 minutes of the trade to the Fixed Income Money Market and Derivatives Association of India (FIMMDA) reporting platform.

## **10. Mode of Issuance**

10.1 CP can be issued either in the form of a promissory note (**Schedule I**) or in a dematerialised form through any of the depositories approved by and registered with SEBI.

10.2 CP will be issued at a discount to face value as may be determined by the issuer.

10.3 No issuer shall have the issue of CP underwritten or co-accepted.

## **11. Preference for Dematerialisation**

While option is available to both issuers and subscribers to issue/hold CP in dematerialised or physical form, issuers and subscribers are encouraged to opt for dematerialised form of issue/holding. However, with effect from June 30, 2001, banks, FIs and PDs are required to make fresh investments and hold CP only in dematerialised form.

## **12. Payment of CP**

The initial investor in CP shall pay the discounted value of the CP by means of a crossed account payee cheque to the account of the issuer through IPA. On maturity of CP, when CP is held in physical form, the holder of CP shall present the instrument for payment to the issuer through the IPA. However, when CP is held in demat form, the holder of CP will have to get it redeemed through the depository and receive payment from the IPA.

## **13. Stand-by Facility**

13.1 In view of CP being a 'stand alone' product, it would not be obligatory in any manner on the part of the banks and FIs to provide stand-by facility to the issuers of CP. Banks and FIs, however, have the flexibility to provide for a CP issue, credit enhancement by way of stand-by assistance/credit, back-stop facility etc. based on their commercial judgement, subject to prudential norms (as applicable) and with specific approval of their respective Boards.

13.2 Non-bank entities (including corporates) may also provide unconditional and irrevocable guarantee for credit enhancement for CP issue provided:

- i. the issuer fulfils the eligibility criteria prescribed for issuance of CP;
- ii. the guarantor has a credit rating at least one notch higher than the issuer given by an approved CRA; and
- iii. the offer document for CP properly discloses the net worth of the guarantor company, the names of the companies to which the guarantor has issued similar guarantees, the extent of the guarantees offered by the guarantor company, and the conditions under which the guarantee will be invoked.

#### **14. Procedure for Issuance**

Every issuer must appoint an IPA for issuance of CP. The issuer should disclose to the potential investors its financial position as per the standard market practice. After the exchange of deal confirmation between the investor and the issuer, issuing company shall issue physical certificates to the investor or arrange for crediting the CP to the investor's account with a depository. Investors shall be given a copy of IPA certificate to the effect that the issuer has a valid agreement with the IPA and documents are in order (**Schedule II**).

#### **15. Role and Responsibilities**

The role and responsibilities of issuer, IPA and CRA are set out below:

##### **(a) Issuer**

With the simplification in the procedures for issuance of CP, issuers would now have greater flexibility. However, they have to ensure that the guidelines and procedures laid down for CP issuance are strictly adhered to.

**(b) Issuing and Paying Agent (IPA)**

- i. IPA would ensure that the issuer has the minimum credit rating as stipulated by RBI and the amount mobilised through issuance of CP is within the quantum indicated by CRA for the specified rating or as approved by its Board of Directors, whichever is lower.
- ii. IPA has to verify all the documents submitted by the issuer, viz., copy of board resolution, signatures of authorised executants (when CP in physical form) and issue a certificate that documents are in order. It should also certify that it has a valid agreement with the issuer (**Schedule II**).
- iii. Certified copies of original documents, verified by the IPA, should be held in the custody of IPA.
- iv. All scheduled banks, acting as IPAs, will continue to report CP issuance details as hitherto within three days from the date of completion of the issue, incorporating details as per **Schedule III** to the Chief General Manager, Financial Markets Department, Reserve Bank of India, Central Office, Fort, Mumbai-400001, Fax: 022-22630981/22634824.
- v. IPAs, which are NDS members, should report the details of CP issue on NDS platform within two days from the date of completion of the issue.
- vi. Additionally all scheduled banks acting as IPAs should submit the data pertaining to CP issuances on the Online Returns Filing System (ORFS) module within two days from the date of issuance of CP. This reporting is in addition to the reporting on NDS platform till the ORFS module stabilizes after which reporting on NDS can be discontinued. IPAs would be advised in this regard separately.

**(c) CRA**

- i. Code of Conduct prescribed by the SEBI for CRAs for undertaking rating of capital market instruments shall be applicable to CRAs for rating CPs.
- ii. The CRAs would henceforth have the discretion to determine the validity period of the rating depending upon its perception about the strength of the issuer. Accordingly, they shall, at the time of rating, clearly indicate the date when the rating is due for review.
- iii. While the CRAs can decide the validity period of credit rating, they would have to closely monitor the rating assigned to issuers vis-à-vis their track record at regular

intervals and would be required to make their revision in the ratings public through their publications and website.

## **16. Documentation Procedure**

16.1 To ensure smooth functioning of the CP market and provide operational flexibility, the FIMMDA may, in consultation with the RBI, prescribe any standardised procedure and documentation that are to be followed by the participants, in consonance with the international best practices. Issuers / IPAs may refer to the detailed guidelines issued by FIMMDA on July 5, 2001 in this regard.

16.2 Violation of these guidelines will attract penalties and may also include debarring of the entity from the CP market.

## **17. Defaults in CP market**

In order to monitor defaults in redemption of CPs, IPAs, are advised to immediately report, on occurrence, full particulars of defaults in repayment of CPs to the Financial Markets Department, Reserve Bank of India, Central Office, Fort, Mumbai-400001 in the format as given in **Annex I**.

## **18. Non-applicability of Certain Other Directions**

Nothing contained in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 shall apply to any non-banking financial company (NBFC) insofar as it relates to acceptance of deposit by issuance of CP, in accordance with these Guidelines.

**19. Definitions** of certain terms used in the Guidelines are provided in **Annex II**.



**Schedule I**  
(See para 10.1)

**Proforma of Commercial Paper (CP)**

Stamp to be  
Affixed as in force  
in the State in which  
it is to be issued

(NAME OF THE ISSUING COMPANY/INSTITUTION)

SERIAL NO.

Issued at : \_\_\_\_\_ Date of issue : \_\_\_\_\_  
(PLACE)

Date of Maturity: \_\_\_\_\_ without days of grace.

(If such date happens to fall on a holiday, payment shall be made on the  
immediate preceding working day)

For value received \_\_\_\_\_ hereby  
(NAME OF THE ISSUING COMPANY/ INSTITUTION)

Promises to pay \_\_\_\_\_ or order on the  
(NAME OF THE INVESTOR)

maturity date as specified above the sum of Rs. \_\_\_\_\_

(in words) upon presentation and surrender of this Commercial Paper to

\_\_\_\_\_  
(NAME OF THE ISSUING AND PAYING AGENT)

For and on behalf of \_\_\_\_\_  
(NAME OF THE ISSUING COMPANY/INSTITUTION)

AUTHORISED  
SIGNATORY

AUTHORISED  
SIGNATORY

ALL ENDORSEMENTS UPON THIS COMMERCIAL PAPER MUST BE  
CLEAN AND DISTINCT.

EACH ENDORSEMENT SHOULD BE WRITTEN WITHIN THE SPACE  
ALLOTTED.

Pay to \_\_\_\_\_ or order  
(NAME OF TRANSFEREE)

the amount within named.

For and on behalf of

\_\_\_\_\_  
(NAME OF THE TRANSFEROR)

\_\_\_\_\_

- |    |   |
|----|---|
| 1. | " |
| 2. | " |
| 3. | " |
| 4. | " |
| 5. | " |
| 6. | " |
| 7. | " |
| 8. | " |

**Schedule II**  
(See para 14)

**IPA CERTIFICATE**

We have a valid IPA agreement with the \_\_\_\_\_  
(Name of Issuing Company/Institution)

2. We have verified the documents viz., board resolution and certificate issued  
by Credit Rating Agency submitted by \_\_\_\_\_  
(Name of the Issuing Company/Institution)

and certify that the documents are in order. Certified copies of original documents are  
held in our custody.

3.\* We also hereby certify that the signatures of the executants of the attached  
Commercial Paper bearing Sr. No. \_\_\_\_\_ dated \_\_\_\_\_ for  
Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_)  
(in words)

tally with the specimen signatures filed by \_\_\_\_\_  
( Name of the issuing Company/Institution)

(Authorised Signatory/Signatories)  
(Name and address of Issuing and Paying Agent)

Place :

Date :

\* (Applicable to CP in physical form)

**Schedule III**  
[See para 15 (b)(iv)]

**Proforma of information to be submitted by the Issuer for issue of Commercial Paper**

(To be submitted to the Reserve Bank through the Issuing and Paying Agent (IPA) within 3 days of the completion of issue of CP to the GGM, FMD, RBI, Mumbai)

To:

The Chief General Manager  
Financial Markets Department  
Reserve Bank of India  
Central Office, Fort  
Mumbai - 400 001.

Through: (Name of IPA)

Dear Sir

**Issue of Commercial Paper**

In terms of the guidelines for issuance of commercial paper issued by the Reserve Bank dated August 19, 2003, we have issued Commercial Paper as per details furnished hereunder:

- i) Name of the Issuer :
- ii) Registered Office and Address :
- iii) Business activity :
- iv) Name/s of Stock Exchange/s  
with whom shares of the  
issuer are listed (if applicable) :
- v) Tangible net worth as per latest  
audited balance sheet :
- vi) Total Working Capital Limit  
(if applicable) :
- vii) Outstanding Bank Borrowings :
- viii) (a) Details of Commercial Paper  
issued (Face Value) : Date of    Date of    Amount    Rate

		Issue	Maturity
	i) ii)		
	(b) Amount of CP outstanding (Face Value) including the present issue	:	
ix)	Rating(s) obtained from the Credit Rating Agency as specified by the Reserve Bank	i) ii)	
x)	Whether stand-by facility has been provided in respect of CP issue?	:	
xi)	If yes		
	i) the amount of the stand-by facility	:	Rs. Crore
	ii) provided by (Name of bank/FI)	:	
xii)	Whether unconditional and irrevocable guarantee has been provided in respect of CP issue?	:	
xiii)	If yes		
	i) the amount of the guarantee	:	Rs. Crore
	ii) provided by (Name of guarantor)	:	
	iii) Credit rating of the guarantor	:	

For and on behalf of

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(Name of the issuer)

**Annex I**  
(See para 17)

**Details of Defaults on Repayment of CP**

Name of the issuer	Date of issue of CP	Amount	Due date of repayment	Initial Rating	Latest Rating	Whether the CP issue enjoyed a standby assistance/ credit back stop facility/ guarantee	If so, the name of the entity providing the facility indicated at Col. (7)	Whether the facility at Col (7) has been honoured and payment made.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

## Annex II

### Definitions

In these guidelines, unless the context otherwise requires:

(a) "Bank" or "Banking company" means a banking company as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949 (10 of 1949) or a "corresponding new bank", "State Bank of India" or "subsidiary bank" as defined in clause (da), clause (nc) and clause (nd) respectively thereof and includes a "co-operative bank" as defined in clause (cci) of Section 5 read with Section 56 of that Act.

(b) "Scheduled bank" means a bank included in the Second Schedule of the Reserve Bank of India Act, 1934.

(c) "All-India Financial Institution (FI)" means a financial institution which has been permitted specifically by the Reserve Bank of India to raise resources by way of Term Money, Term Deposits, Certificates of Deposit, Commercial Paper and Inter-Corporate Deposits, where applicable, within the umbrella limit prescribed in paragraph 6.2 of the Master Circular.

(d) "Primary Dealer" means a non-banking financial company which holds a valid letter of authorisation as a Primary Dealer issued by the Reserve Bank, in terms of the "Guidelines for Primary Dealers in Government Securities Market" dated March 29, 1995, as amended from time to time.

(e) "Corporate" or "Company" means a company as defined in Section 45 I (aa) of the Reserve Bank of India Act, 1934 but does not include a company which is being wound up under any law for the time being in force.

(f) "Non-banking company" means a company other than banking company.

(g) "Non-banking financial company" means a company as defined in Section 45 I (f) of the Reserve Bank of India Act, 1934.

(h) "Working capital limit" means the aggregate limits, including those by way of purchase/discount of bills sanctioned by one or more banks/FIs for meeting the working capital requirements.

(i) "Tangible net worth" means the paid-up capital plus free reserves (including balances in the share premium account, capital and debentures redemption reserves and any other reserve not being created for repayment of any future liability or for depreciation in assets or for bad debts or reserve created by revaluation of assets) as per the latest audited balance sheet of the company, as reduced by the amount of accumulated balance of loss, balance of deferred revenue expenditure, as also other intangible assets.

(j) words and expressions used but not defined herein and defined in the RBI Act, 1934 (2 of 1934) shall have the same meaning as assigned to them in the Act.

## Appendix

### List of Circulars Consolidated

Sr. No	Reference No.	Date	Subject
1.	IECD.No.PMD.15/87 (CP)-89/90	January 3,1990	Issue of Commercial Paper (CP)
2.	IECD.No.PMD.19/87 (CP)-89/90	January 23,1990	Issue of Commercial Paper (CP)
3.	IECD.No.PMD.28/87 (CP)-89/90	April 24,1990	Commercial Paper (CP) - Amendment to Directions
4.	IECD.No.PMD.1/08.15.01/93-94	July 2,1990	Guidelines for provision of factoring services
5.	IECD.No.PMD.2/87 (CP)-90/91	July 7,1990	Commercial Paper (CP) - Renewal of existing issue
6.	IECD.No.PMD.57/87 (CP)-90/91	May 30,1991	Commercial Paper (CP) - Amendment to Directions
7.	IECD.No.16/PMD/87 (CP)-91/92	August 20, 1991	Issue of Commercial Paper (CP)
8.	IECD.No.39/PMD/87 (CP)-91/92	December 20, 1991	Commercial Paper (CP) - Amendment to Directions
9.	IECD.No.49/CC&MIS/87/91-92	February 7, 1992	Issue of Commercial Paper (CP) - Submission of Returns etc.
10.	IECD.No.63/08.15.01/91-92	May 13,1992	Commercial Paper (CP) - Amendment to Directions
11.	IECD.No.34/08.15.01/92-93	May 19,1993	Commercial Paper (CP) – Application of Stamp Duty
12.	IECD.No.13/08.15.01/93-94	October 5, 1993	Commercial Paper (CP) - Amendment to Directions
13.	IECD.No.17/08.15.01/93-94	October 18, 1993	Commercial Paper (CP) - Amendment to Directions
14.	IECD.No.25/08.15.01/93-94	December 17, 1993	Issue of Commercial Paper (CP)
15.	IECD.No.19/08.15.01/94-95	October 20, 1994	Commercial Paper - Stand by Arrangement
16.	IECD.No.28/08.15.01/95-96	June 20, 1996	Commercial Paper (CP)
17.	IECD.No.3/08.15.01/96-97	July 25, 1996	Commercial Paper (CP) - Amendment to Directions
18.	IECD.No.14/08.15.01/96-97	November 5, 1996	Commercial Paper
19.	IECD.No.25/08.15.01/96-97	April 15, 1997	Commercial Paper
20.	IECD.No.14/08.15.01/97-98	October 27, 1997	Commercial Paper
21.	IECD.No.43/08.15.01/97-98	May 25, 1998	Commercial Paper
22.	MPD.48/07.01.279/2000-01	July 6, 2000	Guidelines for Issue of Commercial



Sr. No	Reference No.	Date	Subject
			Paper
23.	<a href="#">IECD. No. 15/08.15.01/2000-01</a>	April 30, 2001	Guidelines for Issue of Commercial Paper
24.	<a href="#">IECD.No.2/08.15.01/2001-02</a>	July 23, 2001	Guidelines for Issue of Commercial Paper
25.	<a href="#">IECD.No.11/08.15.01/2002-03</a>	November 12, 2002	Guidelines for Issue of Commercial Paper
26.	<a href="#">IECD. No. 19/08.15.01/2002-03</a>	April 30, 2003	Guidelines for Issue of Commercial Paper
27.	<a href="#">IECD. No. /08.15.01/2003-04</a>	August 19, 2003	Guidelines for Issue of Commercial Paper– Defaults in Commercial Paper market
28.	<a href="#">MPD. NO. 251/07.01.279/2004-05</a>	July 1, 2004	Guidelines for Issue of Commercial Paper
29.	<a href="#">MPD. NO. 258/07.01.279/2004-05</a>	October 26, 2004	Guidelines for Issue of Commercial Paper
30.	<a href="#">MPD. NO. 261/07.01.279/2004-05</a>	April 13, 2005	Reporting of Commercial Paper (CP) issuance on NDS Platform
31.	FMD. NO. 2153/02.02.010/2009-10	March 5, 2010	Reporting of issuances of Commercial Paper – Online Returns Filing System
32.	<a href="#">IDMD.DOD.11/11.08.36/2009-10</a>	June 30, 2010	Reporting of OTC transactions in Certificates of Deposit (CDs) and Commercial Papers (CPs)

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