

DRAFT DIRECTIONS
RESERVE BANK OF INDIA
FINANCIAL MARKETS REGULATION DEPARTMENT
1st FLOOR, CENTRAL OFFICE FORT
MUMBAI 400 001
FMRD.DIRD./CGM(TRS) - 2017 dated February 2, 2017
Reserve Bank Commercial Paper Directions, 2017

Whereas the Reserve Bank of India, in exercise of the powers conferred by Sections 45J, 45K, 45L of the Reserve Bank of India Act, 1934, and of all the powers enabling it in this behalf, notified the Non-Banking Companies (Acceptance of Deposits through Commercial Paper) Directions 1989 vide Notification No.IECD.1/87(CP)-89/90 dated December 11, 1989;

And whereas the said directions having been amended from time to time vide Notification No.IECD.14/08.15.01/96-97 dated September 6, 1996; Notification No.IECD.21/08.15.01/97-98 dated June 17, 1998, [Notification No IECD 3/08.15.01/2000-2001 dated October 10, 2000](#) and IDMD.PCD. 1284 /14.01.02/2012-13 dated October 16, 2012 respectively;

And whereas Section 45W of the Reserve Bank of India Act provides that the Bank may, in public interest, or to regulate the financial system of the country to its advantage, determine the policy relating to interest rates or interest rate products and give directions in that behalf to all agencies or any of them, dealing in securities, money market instruments, foreign exchange, derivatives, or other instruments of like nature as the Bank may specify from time to time;

And whereas Commercial Paper is a 'money market instrument' for the purposes of Section 45W of the Reserve Bank of India Act;

Now therefore, in exercise of the powers conferred under sections 45J, 45K, 45L and 45W, and in supercession of the Notifications referred hereinabove, and all other instructions issued in this behalf, on the subject, the Reserve Bank of India, having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit and financial system to the advantage of the country, hereby issues the following directions:

1. Short Title and Commencement

These directions shall be called the Reserve Bank Commercial Paper Directions 2017 and shall come into force on the date of their publication.

2. Definitions

For the purpose of these directions, unless the context otherwise requires:

- a. 'All India Financial Institution' (AIFI) means an all India Financial Institution specified in the [RBI Master Direction DBR.FID.No.108/01.02.000/2015-16](#) and as amended from time to time.
- b. Banks' 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 a "subsidiary bank" as defined in clause (da), clause (nc) and clause (nd) respectively thereof and includes a "cooperative bank" as defined in clause (cci) of Section 5 read with Section 56 of the said Act.
- c. 'Commercial Paper' (CP) is an unsecured money market instrument issued in the form of a promissory note. The original tenor of a CP lies between seven days to one year.
- d. 'Company' means a company as defined in section 2 (20) of the Companies Act, 2013.
- e. 'Issuing and Paying Agent (IPA)' means a Scheduled Bank acting as an IPA.
- f. 'RBI' means the Reserve Bank of India.
- g. 'Related parties' shall be as defined in section 2 (76) of the Companies Act, 2013
- h. 'Scheduled bank' means a bank included in the Second Schedule of the RBI Act, 1934.
- i. 'Standalone Primary Dealer' (PD) means a Non-Banking Financial Company (NBFC) that holds a valid letter of authorisation as a PD issued by the Reserve Bank, in terms of the "Guidelines for Primary Dealer in Government Securities Market" dated March 29, 1995, as amended from time to time.

- j. Words and expressions used but not defined herein and defined in the Reserve Bank of India Act, 1934 shall have the same meaning as assigned to them in the said Act.

3. Eligible Issuers:

- a. Companies and All India Financial Institutions (AIFIs) subject to following conditions:
 - i. the entity has been sanctioned working capital limit by bank/s or FIs; and
 - ii. the account of the company/AIFI is classified as a Standard Asset by the financing bank/institution.
- b. Standalone Primary Dealers.
- c. Other entities with a net worth of ₹ 100 crore or higher subject to conditions under 3 (a)(i) and 3 (a)(ii) above.
- d. Any other entity specifically permitted by the Reserve Bank of India (RBI).

4. Eligible Investors:

- a. All residents, and non-residents permitted to invest in CPs under Foreign Exchange Management Act (FEMA), 1999 are eligible; however, no person can invest in CPs issued by related parties.
- b. Investment by regulated financial sector entities will be subject to such conditions as the concerned regulator may impose.

5. Form of the instrument, mode of issuance, rating and documentation procedures

5.1 Form

- a. CP shall be issued in the form of a promissory note and held in a dematerialized form through any of the depositories approved by and registered with SEBI.
- b. CP shall be issued in minimum denomination of ₹ 5 lakh and multiple of ₹ 1 lakh.
- c. CP may be issued at a discount to face value.
- d. No issuer shall have the issue of CP underwritten or co-accepted.
- e. Options (call/put) are not permitted on CP.

5.2 Rating Requirement

- a. Eligible issuers shall obtain credit rating for issuance of CPs from at least two CRAs registered with SEBI and should adopt the lower of the two ratings.
- b. The minimum credit rating for a CP shall be 'A3' as per rating symbol and definition prescribed by SEBI
- c. CRAs shall take approval from RBI for the purpose of rating CPs.

5.3 Documentation Procedures

Issuers, investors and Issuing and Paying Agents (IPAs) shall follow the standard procedures and documentation prescribed by Fixed Income Money Market and Derivatives Association of India (FIMMDA) as 'Operational Guidelines on CPs'.

6. Secondary market trading and settlement of CP

- a. All OTC trades in CP shall be reported within 15 minutes of the trade to the Financial Market Trade Reporting and Confirmation Platform ("F-TRAC") of Clearcorp Dealing System (India) Ltd. (CDSL).
- b. The settlement cycle for OTC trades in CP shall be T+1.
- c. OTC trades in CP shall be settled through the clearing house of the National Stock Exchange (NSE), the Bombay Stock Exchange (BSE), the Metropolitan Stock Exchange of India Limited or any other mechanism approved by RBI.

7. Buyback of CP

- a. The buyback of CP, in full or part, shall be at prevailing market price.
- b. The buyback offer should be extended to all investors in the CP issue.
- c. The buyback offer may not be made before 60 days from the date of issue.
- d. CPs bought back shall stand extinguished.

8. Duties and Obligations

The duties and obligations of the Issuer, Issuing and Paying Agent (IPA), Credit Rating Agency (CRA) and Arrangers are set out below:

I. Issuer

- a. Comply with all relevant requirements under these Directions.
- b. Appoint an IPA for issuance of CP.
- c. Ensure that the proceeds from CP issues should be used to finance only current assets and operating expenses. The end use must be explicitly disclosed in the offer document.
- d. Furnish the Board Resolution authorizing the company to borrow through issuance of CP to the IPA.
- e. Keep the bank (s) from whom it has outstanding credit facility (ies) informed of its market borrowings, including through CPs, latest by the date of borrowing.
- f. Arrange for crediting the CP to the Demat account of the investor with the depository through the IPA.
- g. Route all subscriptions/redemptions/payments through the IPA.
- h. Make minimum disclosures in the offer document as given in **Annex I**.
- i. Submit a certificate from the CEO/CFO to the concerned IPAs on quarterly basis that CP proceeds are used for disclosed purposes, and certifying adherence to other conditions of the offer document.

II. Issuing and Paying Agent

- a. Ensure that the borrower is appropriately authorised to borrow through CPs.
- b. Verifying all information disclosed in the offer document before issuance.
- c. Verify all documents submitted by the issuer are in order and issue a certificate to this effect (**Annex II**).
- d. Make available the IPA certificate in electronic form on the website of the depositories for the CPs.
- e. Verify and hold certified copies of original documents in its custody.
- f. Report the details of issuance of CP and instances of default on the F-TRAC platform by close of business hours, of the day of issuance or default as the case may be.

III. Credit Rating Agency

- a. Credit Rating Agency (CRA) must act responsibly in rating CP issuances and continuously monitor the rating assigned to an issue and revisions, if any, to the rating and disseminate to public through their publications and website.
- b. Advise the concerned IPA about the ratings of the CP and any subsequent change in the ratings, on the date of rating or change in rating.

9. 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 the raising of funds by issuance of CP, by any NBFC in accordance with these directions.

(T. Rabi Sankar)
Chief General Manager

Minimum disclosure in the Offer Document

- i. Details of outstanding CPs as on date of new issuance including date of issuance, credit rating, name of credit rating agency and name of IPA
- ii. Summary of last three years audited financials
- iii. Details of default including technical default, if any, along with description of the issue, IPA, amount, dates of issue and maturity date for past three years
- iv. Details of current tranche including amount, current credit rating, name of credit rating agency, its validity period and details of IPA
- v. End-use of funds
- vi. All outstanding credit facilities from banks, facility-wise, and their asset classification.

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 Commercial Paper in physical form/Strike out if not applicable)