



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
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July 2, 2012

The Chairmen / Chief Executives of All Scheduled Banks (excluding RRBs and LABs),  
Primary Dealers (PDs) and All-India Term Lending and Refinancing Institutions

Dear Sir/Madam,

**Master Circular - Guidelines for Issue of Certificates of Deposit**

With a view to further widening the range of money market instruments and giving investors greater flexibility in deployment of their short-term surplus funds, Certificates of Deposit (CDs) were introduced in India in 1989. Guidelines for issue of CDs are presently governed by various directives issued by the Reserve Bank of India, as amended from time to time.

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 as far as they relate to guidelines for issue of CDs. This Master Circular has also been placed on RBI website at <http://www.mastercirculars.rbi.org.in>.

Yours faithfully,

(K. K. Vohra)  
Chief General Manager

Encl.: As above

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## **1. Introduction**

Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period. Guidelines for issue of CDs are presently governed by various directives issued by the Reserve Bank of India (RBI), as amended from time to time. The guidelines for issue of CDs, incorporating all the amendments issued till date, are given below for ready reference.

## **2. Eligibility**

CDs can be issued by (i) scheduled commercial banks (excluding Regional Rural Banks and Local Area Banks); and (ii) select All-India Financial Institutions (FIs) that have been permitted by RBI to raise short-term resources within the umbrella limit (prescribed in paragraph 3.2 below) fixed by RBI.

## **3. Aggregate Amount**

3.1 Banks have the freedom to issue CDs depending on their funding requirements.

3.2 An FI can issue CD 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.

## **4. Minimum Size of Issue and Denominations**

Minimum amount of a CD should be Rs.1 lakh, i.e., the minimum deposit that could be accepted from a single subscriber should not be less than Rs.1 lakh, and in multiples of Rs. 1 lakh thereafter.

## **5. Investors**

CDs can be issued to individuals, corporations, companies (including banks and PDs), trusts, funds, associations, etc. Non-Resident Indians (NRIs) may also subscribe to CDs, but only on non-repatriable basis, which should be clearly stated on the Certificate. Such CDs cannot be endorsed to another NRI in the secondary market.

## **6. Maturity**

6.1 The maturity period of CDs issued by banks should not be less than 7 days and not more than one year, from the date of issue.

6.2 The FIs can issue CDs for a period not less than 1 year and not exceeding 3 years from the date of issue.

## **7. Discount / Coupon Rate**

CDs may be issued at a discount on face value. Banks / FIs are also allowed to issue CDs on floating rate basis provided the methodology of compiling the floating rate is objective, transparent and market-based. The issuing bank / FI is free to determine the discount / coupon rate. The interest rate on floating rate CDs would have to be reset periodically in accordance with a pre-determined formula that indicates the spread over a transparent benchmark. The investor should be clearly informed of the same.

## **8. Reserve Requirements**

Banks have to maintain appropriate reserve requirements, i.e., cash reserve ratio (CRR) and statutory liquidity ratio (SLR), on the issue price of the CDs.

## **9. Transferability**

CDs in physical form are freely transferable by endorsement and delivery. CDs in demat form can be transferred as per the procedure applicable to other demat securities. There is no lock-in period for the CDs.

## **10. Trades in CDs**

All OTC trades in CDs shall be reported within 15 minutes of the trade on the FIMMDA reporting platform.

## **11. Loans / Buy-backs**

Banks / FIs cannot grant loans against CDs. Furthermore, they cannot buy-back their own CDs before maturity. However, the RBI may relax these restrictions for temporary periods through a separate notification.

## **12. Format of CDs**

Banks / FIs should issue CDs only in dematerialised form. However, according to the Depositories Act, 1996, investors have the option to seek certificate in physical form. Accordingly, if an investor insists on physical certificate, the bank / FI may inform the Chief General Manager, Financial Markets Department, Reserve Bank of India, Central Office, Fort, Mumbai - 400 001 about such instances separately. Further, issuance of CDs will attract stamp duty. A format (**Annex I**) is enclosed for adoption by banks / FIs. There will be no grace period for repayment of CDs. If the maturity date happens to be a holiday, the issuing bank/FI should make payment on the immediate preceding working day. Banks / FIs, therefore, should fix the period of deposit in such a manner that the maturity date

does not coincide with a holiday to avoid loss of discount / interest rate.

### **13. Security Aspect**

Since CDs in physical form are freely transferable by endorsement and delivery, it will be necessary for banks/FIs to see that the certificates are printed on good quality security paper and necessary precautions are taken to guard against tampering with the document. They should be signed by two or more authorised signatories.

### **14. Payment of Certificate**

14.1 Since CDs are transferable, the physical certificates may be presented for payment by the last holder. The question of liability on account of any defect in the chain of endorsements may arise. It is, therefore, desirable that banks take necessary precautions and make payment only by a crossed cheque. Those who deal in these CDs may also be suitably cautioned.

14.2 The holders of dematted CDs will approach their respective depository participants (DPs) and give transfer / delivery instructions to transfer the security represented by the specific International Securities Identification Number (ISIN) to the 'CD Redemption Account' maintained by the issuer. The holders should also communicate to the issuer by a letter / fax enclosing the copy of the delivery instruction they had given to their respective DP and intimate the place at which the payment is requested to facilitate prompt payment. Upon receipt of the demat credit of CDs in the "CD Redemption Account", the issuer, on maturity date, would arrange to repay to holders / transferors by way of Banker's cheque / high value cheque, etc.

### **15. Issue of Duplicate Certificates**

15.1 In case of loss of physical certificates, duplicate certificates can be issued after compliance with the following:

- a. Notice is required to be given in at least one local newspaper;
- b. Lapse of a reasonable period (say 15 days) from the date of the notice in the newspaper; and
- c. Execution of an indemnity bond by the investor to the satisfaction of the issuer of CDs

15.2 The duplicate certificate should be issued only in physical form. No fresh stamping is required as a duplicate certificate is issued against the original lost CD. The duplicate CD should clearly state that the CD is a Duplicate one stating the original value date, due date, and the date of issue (as "Duplicate issued on \_\_\_\_\_").

## **16. Accounting**

Banks / FIs may account the issue price under the Head "CDs issued" and show it under deposits. Accounting entries towards discount will be made as in the case of "Cash Certificates". Banks / FIs should maintain a register of CDs issued with complete particulars.

## **17. Standardised Market Practices and Documentation**

Fixed Income Money Market and Derivatives Association of India (FIMMDA) may prescribe, in consultation with the RBI, for operational flexibility and smooth functioning of the CD market, any standardised procedure and documentation that are to be followed by the participants, in consonance with the international best practices. Banks / FIs may refer to the detailed guidelines issued by FIMMDA in this regard on June 20, 2002 and as amended from time to time (<http://fimmda.org>).

## **18. Reporting**

18.1 Banks should include the amount of CDs in the fortnightly return under Section 42 of the RBI Act, 1934 and also separately indicate the amount so included by way of a footnote in the return.

18.2 Further, banks / FIs should report the data on issuance of CDs on the web-based module under the Online Returns Filing System (ORFS) within 10 days from the end of the fortnight to which it pertains.

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**Format of Negotiable Certificate of Deposit (CD)**

Name of the Bank / Institution No. Rs. \_\_\_\_\_ Dated \_\_\_\_\_

**NEGOTIABLE CERTIFICATE OF DEPOSIT**

\_\_\_\_\_ months / days after the date hereof, \_\_\_\_\_ <Name of the Bank / Institution> \_\_\_\_\_, at \_\_\_\_\_ <name of the place> \_\_\_\_\_, hereby promise to pay to \_\_\_\_\_ <name of the depositor> \_\_\_\_\_ or order the sum of Rupees \_\_\_\_\_ <in words> \_\_\_\_\_ only, upon presentation and surrender of this instrument at the said place, for deposit received.

For \_\_\_\_\_ <Name of the institution> \_\_\_\_\_ Date of maturity \_\_\_\_\_

without days of grace.

Instructions	Endorsement	Date
	1.	
	2.	
	3.	
	4.	

## 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 Institutions (FIs)" mean those financial institutions which have 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. "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.
- e. "Non-banking company" means a company other than banking company.
- f. "Non-banking financial company" means a company as defined in Section 45 I (f) of the Reserve Bank of India Act, 1934.
- g. words and expressions used but not defined herein and defined in the Reserve Bank of India Act, 1934 (2 of 1934) shall have the same meaning as assigned to them in the Act.



## List of Circulars Consolidated

Sr. No	Reference No.	Date	Subject
1.	DBOD.No.BP.BC.134/65-89	June 6, 1989	Certificates of Deposit (CDs)
2.	DBOD.No.BP.BC.112/65-90	May 23, 1990	Certificates of Deposit (CDs)
3.	DBOD.No.BP.BC.60/65-90	December 20, 1990	Certificates of Deposit (CDs)
4.	DBOD.No.BP.BC.113/65-91	April 15, 1991	Certificates of Deposit (CDs)
5.	DBOD.No.BP.BC.83/65-92	February 12, 1992	Certificates of Deposit (CDs)
6.	DBOD.No.BC.119/12.021.001/92	April 21, 1992	Section 42(1) of the Reserve Bank of India Act 1934 - Cash Reserve Ratio on incremental Certificates of Deposit - Exemption
7.	DBOD.No.BC.106/21.03.053/93	April 7, 1993	Certificates of Deposit (CDs) - Enhancement of Limit
8.	DBOD.No.BC.171/21.03.053/93	October 11, 1993	Certificates of Deposit (CDs) Scheme
9.	DBOD.No.BP.BC.109./21.03.053/96	August 9, 1996	Certificates of Deposit (CDs) Scheme
10.	DBOD.No.BP.BC.49/21.03.053/97	April 22, 1997	Certificates of Deposit (CDs)
11.	DBOD.No.BP.BC.128/21.03.053/97	October 21, 1997	Certificates of Deposit (CDs)
12.	DBOD.No.Dir.BC.96/13.03.00/2001-02	April 29, 2002	Issue of Certificates of Deposit (CDs) in dematerialised form
13.	DBOD.No.BP.BC.115/21.03.053/200102	June 15, 2002	Certificates of Deposit (CDs)
14.	DBOD.No.BP.BC.43/21.03.053/200203	November 16, 2002	Mid-Term Review of Monetary and Credit Policy 2002-03: Certificates of Deposit
15.	<a href="#">MPD.No.254/07.01.279/2004-05</a>	July 12, 2004	Guidelines for Issue of Certificates of Deposit
16.	<a href="#">MPD.No.263/07.01.279/2004-05</a>	April 28, 2005	Certificates of Deposit
17.	IDMD.PDRS.26/03.64.00/2006-07	July 5, 2006	Diversification of activities by stand-alone Primary Dealers – Operational Guidelines
18.	FMD.MSRG.No.2063/02.08.03/200910	February 25, 2010	Reporting of Issuances of Certificates of Deposit
19.	FMD.MSRG.No.2905/02.08.03/200910	June 17, 2010	Reporting of Issuances of Certificates of Deposits – Online Returns Filing System
20.	<a href="#">IDMD.DOD.11/11.08.36/2009-10</a>	June 30, 2010	Reporting of OTC trades in Certificates of Deposit (CDs) and Commercial Papers (CPs)
21.	FMD.MSRG.2098/02.08.03/2011-12	April 25, 2012	Reporting of issuance of Certificates of Deposits – Online Returns Filing System (ORFS)