



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2021-22/79
FMRD.DIRD.03/14.01.003/2021-22

June 4, 2021

To,

All Eligible Market Participants

Madam/Sir,

Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021

Please refer to Paragraph 6 of the [Statement on Developmental and Regulatory Policies](#), announced as a part of the [second Bi-monthly Monetary Policy Statement for 2019-20 dated June 06, 2019](#) regarding Comprehensive Review of Money Market Directions. A reference is also invited to Paragraph 5 of the [Statement on Developmental and Regulatory Policies](#), announced as a part of the [second Bi-monthly Monetary Policy Statement for 2021-22 dated June 04, 2021](#) on 'Facilitating Flexibility in Liquidity Management by issuers of Certificates of Deposit'.

2. The draft Directions on Certificate of Deposits were released for public comments on [December 04, 2020](#). Based on the feedback received from the market participants, the Reserve Bank of India (Certificate of Deposit) Directions, 2021 were reviewed and have since been finalised. The [Directions](#) are enclosed herewith.

Yours faithfully,

(Dimple Bhandia)
Chief General Manager



FINANCIAL MARKETS REGULATION DEPARTMENT

Notification No. FMRD.DIRD.04/14.01.003/2021-22 dated June 04, 2021

Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021

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 of all the powers enabling it in this behalf and in supersession of Section III of [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 persons and agencies eligible to deal in Certificate of Deposit.

1. Short title, scope and commencement

- (a) These Directions shall be called the Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021.
- (b) These Directions shall come into force with effect from June 07, 2021.

2. Definitions

- (a) For the purpose of these Directions, unless the context otherwise requires:

- (i) **“Bank”** means a banking company (including a Payment Bank and a Small Finance Bank) as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 or a “regional rural bank”, a “corresponding new bank” or “State Bank of India” as defined in clauses (ja), (da) and (nc), of section 5 respectively thereof, or a “cooperative bank” as defined in clause (cci) of section 5 read with section 56 of the said Act;
- (ii) **“Benchmark Interest Rates”** means interest rates administered by Financial Benchmark Administrators;
- (iii) **“Certificate of Deposit” or “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 maturity period upto one year;
- (iv) **“Delivery versus Payment” or “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;
- (v) **“Depository”** shall have the meaning assigned in section 2 (e) of the Depositories Act, 1996 (22 of 1996);



- (vi) **“Electronic Trading Platform” or “ETP”** shall have the meaning assigned in paragraph 2 (1) (iii) of the Electronic Trading Platform (Reserve Bank) Directions, 2018 dated October 05, 2018 as modified from time to time;
 - (vii) **“Financial Benchmark Administrator” or “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](#);
 - (viii) **“Over-the-Counter markets” or “OTC markets”** refers to markets where transactions are undertaken in any manner other than on exchanges and shall include those executed on electronic trading platforms;
 - (ix) **“Person resident in India”** shall have the same meaning assigned to it in section 2 (v) of the Foreign Exchange Management Act, 1999;
 - (x) **“Recognised stock exchanges”** shall have the meaning assigned in section 2 (f) of the Securities Contract Regulation Act, 1956;
 - (xi) **“Small Finance Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the 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) Certificate of Deposits (CDs) may be issued by:
 - (i) Scheduled Commercial Banks;
 - (ii) Regional Rural Banks; and
 - (iii) Small Finance Banks.
- (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 may be issued to all persons resident in India.



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

CDs may be issued at a discount to the face value. CDs may also be issued on a fixed / floating rate basis provided the interest rate on the floating rate CD is reset at periodic rests agreed to at the time of issue 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 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 venues and settlement

- (i) CDs shall be traded either in Over-the-Counter (OTC) markets, including on Electronic Trading Platforms, 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 allowed to grant loans against CDs, unless specifically permitted by the Reserve Bank.

(e) Buyback of CDs

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 7 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.

(f) Market timings

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

(g) Repayment of CD

There will be no grace period for repayment of CDs.

(h) Market practices and documentation

Eligible participants and agencies in the CD market shall follow the 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 standard setting organisations or as specified by the relevant regulations of the Reserve Bank.

6. Reporting requirements

(a) Primary issuance

Details of primary issuance of a CD shall be reported by the issuer to the Trade Repository (TR), i.e., Financial Market Trade Reporting and Confirmation Platform ("F-TRAC") of the Clearing Corporation of India Ltd. (CCIL) 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 executed in OTC market and/or on the recognised stock 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 by each counterparty to the transaction.



(c) Buyback transactions

Details of the buyback of a CD shall be reported by the issuer on the F-TRAC platform by 5.30 PM on the day of buyback.

(d) 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.

7. Obligation to provide information sought by the Reserve Bank

The Reserve Bank may call for any information or statement or seek any clarification, which in the opinion of the Reserve Bank is relevant, from persons or agencies dealing in the CDs, including eligible issuers/ investors and such persons, agencies and participants shall furnish the information, statement or clarification.

8. Dissemination of data

The Reserve Bank or any other person authorised by the Reserve Bank, may publish any anonymised data related to transactions in primary and secondary markets in CDs.

9. Violation of Directions

In the event of any person or agency violating any provision of these Directions or the provisions of any other applicable law, the Reserve Bank may, in addition to taking any penal or regulatory action in accordance with law, disallow that person or agency from dealing in the CD market for a period not exceeding one month at a time, after providing reasonable opportunity to the person or agency to defend its actions, and such action will 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 the transactions in Certificate of Deposit entered into from the date these Directions come into force. Provisions of Section III of [FMRD.Master Direction No. 2/2016-17 dated July 07, 2016](#) shall continue to be applicable to the CDs issued in accordance with the said Directions till the maturity of those CDs.

Annex I

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

[illegible]