



**RESERVE BANK OF INDIA  
FINANCIAL MARKETS DEPARTMENT  
Market Surveillance & Research Group**

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

**RBI/2009-10/ 45  
Ref.No. FMD.MSRG.No.37/02.08.003/2009-10**

**July 1, 2009  
Ashadha 09, 1931 (S)**

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

**Dear Sir,**

**Guidelines for Issue of Commercial Paper**

As you are aware, 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 enabling highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Guidelines for issue of CP are presently governed by various directives issued by the Reserve Bank of India, as amended from time to time.

A Master Circular incorporating all the existing guidelines/instructions/directives on the subject has been prepared. 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,

**(Chandan Sinha)  
Chief General Manager**

**Master Circular  
on  
Guidelines for Issue of Commercial  
Paper (CP) as amended up to June 30, 2009**

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**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 enabling highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Subsequently, primary dealers, satellite dealers\*and all-India financial institutions were also permitted to issue CP to enable them to meet their short-term funding requirements for their operations. Guidelines for issue of CP are presently governed by various directives issued by the Reserve Bank of India, as amended from time to time. The guidelines for issue of CP incorporating all the amendments issued till date is given below for ready reference.

### **Who can Issue Commercial Paper (CP)**

2. Corporates, primary dealers (PDs) and the all-India financial institutions (FIs) that have been permitted to raise short-term resources under the umbrella limit fixed by the Reserve Bank of India are eligible to issue CP.

3. 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) company has been sanctioned working capital limit by bank/s or all-India financial institution/s; and (c) the borrowal account of the company is classified as a Standard Asset by the financing bank/s/ institution/s.

### **Rating Requirement**

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

### **Maturity**

5. CP can be issued for maturities between a minimum of 7 days and a maximum 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.

### **Denominations**

6. 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).

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

7. 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 Credit Rating Agency 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 companies' financing including CPs.

8. An FI can issue CP within the overall umbrella limit fixed by the RBI, i.e., issue of CP together with other instruments, viz., term money borrowings, term

deposits, certificates of deposit and inter-corporate deposits should not exceed 100 per cent of its net owned funds, as per the latest audited balance sheet.

9. 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.

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

### **Who can Act as Issuing and Paying Agent (IPA)**

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

### **Investment in CP**

12. 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 (NRIs) and Foreign Institutional Investors (FIIs). However, investment by FIIs would be within the limits set for their investments by Securities and Exchange Board of India (SEBI).

### **Mode of Issuance**

13. 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.

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

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

### **Preference for Dematerialisation**

16. While option is available to both issuers and subscribers to issue/hold CP in dematerialised or physical form, issuers and subscribers are encouraged to prefer exclusive reliance on 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.

### **Payment of CP**

17. 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.

### **Stand-by Facility**

18. 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 have, however, 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 Boards.

19. 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 credit rating agency; 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.

### **Procedure for Issuance**

20. 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 III).

### **Role and Responsibilities**

21. The role and responsibilities of issuer, issuing and paying agent (IPA) and credit rating agency (CRA) are set out below:

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

With the simplification in the procedures for CP issuance, issuers would now have more flexibility. Issuers would, however, 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 issuer has the minimum credit rating as stipulated by RBI and 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 III).

(iii) Certified copies of original documents verified by the IPA should be held in the custody of IPA.

(iv) Every CP issue should be reported to the Chief General Manager, Financial Markets Department, Reserve Bank of India, Central Office, Fort, Mumbai-400001.

(v) IPAs, which are NDS member, should report the details of CP issue on NDS platform within two days from the date of completion of the issue.

(vi) Further, all scheduled banks, acting as an IPA, 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 II till NDS reporting stabilises to the satisfaction of RBI.

### **(c) Credit Rating Agency (CRA)**

(i) Code of Conduct prescribed by the SEBI for CRAs for undertaking rating of capital market instruments shall be applicable to them (CRAs) for rating CP.

(ii) Further, the credit rating agency would henceforth have the discretion to determine the validity period of the rating depending upon its perception about the strength of the issuer. Accordingly, CRA 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-a-vis their track record at regular intervals and would be required to make their revision in the ratings public through their publications and website.

### **Documentation Procedure**

22. Fixed Income Money Market and Derivatives Association of India (FIMMDA) may prescribe, in consultation with the RBI, for operational flexibility and smooth functioning of CP market, any standardised procedure and documentation that are to be followed by the participants, in consonance with the international best

practices. Issuer / IPAs may refer to the detailed guidelines issued by FIMMDA in this regard on July 5, 2001.

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

#### **Defaults in CP market**

24. In order to monitor defaults in redemption of CP, scheduled banks which act as 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, Fax: 022-22630981/22634824 in the format as given in Annex I.

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

25. 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.

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

## Schedule I

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

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 :
- vii) Outstanding Bank Borrowings :
- viii) (a) Details of Commercial Paper issued (Face Value) :

Date of Issue	Date of Maturity	Amount	Rate
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i)  
ii)

- (b) Amount of CP outstanding (Face Value) including the present issue :
- ix) Rating(s) obtained from the Credit Rating Information Services of India Ltd.(CRISIL) or any other agency as specified by the Reserve Bank
- i)  
ii)  
iii)
- 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

\_\_\_\_\_  
(Name of the issuer)

### Schedule III

#### 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)

## Annex I

### 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 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 umbrella limit.

(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 Reserve Bank of India Act, 1934 (2 of 1934) shall have the same meaning as assigned to them in that Act.

## Appendix

### List of Circulars

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.	<a href="#">IECD.No.25/08.15.01/96-97</a>	April 15, 1997	Commercial Paper
20.	<a href="#">IECD.No.14/08.15.01/97-98</a>	October 27, 1997	Commercial Paper
21.	<a href="#">IECD.No.43/08.15.01/97-98</a>	May 25, 1998	Commercial Paper
22.	<a href="#">MPD.48/07.01.279/2000-01</a>	July 6, 2000	Guidelines for Issue of Commercial 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

\* The system of satellite dealers has since been discontinued with effect from June 1, 2002.