

RBI/2010-11/299

IDMD.PCD.No. **24** /14.03.03/2010-11

December 06, 2010

**All Market Participants**

Dear Sirs,

**Issuance of Non-Convertible Debentures (NCDs)**

A reference is invited to the Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010 dated [June 23, 2010 issued vide circular IDMD.DOD.10/11.01.01\(A\)/2009-10](#) of same date covering the regulation of NCDs of maturity up to one year.

2. Taking into account the feedback received from the market participants, the Reserve Bank of India has issued an amendment Direction, i.e., Issuance of Non-Convertible Debentures (Reserve Bank) (Amendment) Directions, 2010, inter alia, permitting

- a. Financial Institutions (FIs) to invest in NCDs of maturity up to one year;
- b. Non-Banking Financial Companies including Primary Dealers that do not maintain a working capital limit to issue NCDs of maturity up to one year; and
- c. FIs to invest in NCDs of maturity up to one year subject to extant provisions of FEMA and SEBI guidelines issued in this regard.

3. The amendment Directions comes into immediate effect. A copy of the Directions is enclosed.

Yours faithfully,

**(K K Vohra)**  
Chief General Manager

**RESERVE BANK OF INDIA  
INTERNAL DEBT MANAGEMENT DEPARTMENT  
CENTRAL OFFICE  
MUMBAI**

**Issuance of Non-Convertible Debentures (Reserve Bank)  
(Amendment) Directions, 2010**

IDMD.PCD. 23 /ED (HRK) - 2010 dated December 06, 2010

In exercise of its powers conferred under sections 45K, 45L and 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, and in partial modification of the Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010 dated June 23, 2010, the Reserve Bank hereby notifies as follows: -

1. That the Non-Convertible Debentures (Reserve Bank) Directions 2010 dated June 23, 2010 (hereinafter referred to as the 'said Directions') are hereby amended as under:

2. Paragraph 3 of the said Directions is amended to read as follows:

**3. Eligibility to issue NCDs**

3.1 A Corporate shall be eligible to issue NCDs subject to the fulfillment of the following criteria, namely,

- i. the corporate has a tangible net worth of not less than Rs.4 crore, as per the latest audited balance sheet;
- ii. the corporate has been sanctioned working capital limit or term loan by bank/s or all-India financial institution/s; and
- iii. the borrowal account of the corporate is classified as a Standard Asset by the financing bank/s or institution/s.

3.2 However, paragraph 3.1 (ii) above shall not be applicable to Non-Banking Financial Companies (NBFCs) including Primary Dealers (PDs).

3. Paragraph 10 of the Directions is amended to read as under:

**10. Investment in NCD**

10.1 NCDs may be issued to and held by individuals, banks, PDs, other corporate bodies including Financial Institutions (FIs), Insurance Companies, Mutual Funds registered or incorporated in India, unincorporated bodies and Foreign Institutional Investors (FIIs).

10.2 Investments in NCDs by Banks/PDs shall be subject to the approval of the respective statutes governing them, and approval of their respective regulators.

10.3 Investments by the FIIs shall be subject to extant provisions of the Foreign Exchange Management Act (FEMA) and rules, regulations, notifications, directions or orders issued thereunder, and within such limits as may be set forth in this regard from time to time by the SEBI.

4. These Directions may be referred to as the Issuance of Non-Convertible Debentures (Reserve Bank) (Amendment) Directions, 2010 and shall be effective from today, i.e., December 06, 2010.

**(H R Khan)**  
**Executive Director**