

# Reserve Bank of India (Commercial Paper and Non-Convertible Debentures of original or initial maturity upto one year) Directions, 2024

## An attempt to align CP and short-term NCDs

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An efficient and well-functioning money market is of huge importance when it comes to accessing temporary access to funds for working capital and short-term financing needs. The money market bridges the liquidity gap in the market and can help companies tide over their short-term finance requirements. However, the Indian money market still seems to be lacking when compared to its counterpart, the financial market and thus there is a need to widen and deepen the same.

Money market is a crucial link in the chain of monetary policy transmission, apart from being a basic necessity for pricing and liquidity in other financial markets.

RBI has issued regulations over time covering different money market products – call money, repo, commercial paper, certificates of deposit and other debt instruments with original maturity less than one year, etc. The need for a change in the money market directions was first discussed by RBI in its [Statement on Developmental and Regulatory Policies dated 6<sup>th</sup> June, 2019](#) . With the objective of bringing consistency across products in terms of issuers, investors and other participants, RBI proposed to rationalize existing regulations covering different money market products. These directions would improve transparency and safety of money markets.

RBI had proposed [Draft Commercial Paper and Non-Convertible Debentures \(Reserve Bank\) Directions, 2020](#) (Draft Direction) and subsequent to the same, recently released [Master Direction on Money Market Instruments: Call/Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures \(original maturity up to one year\), 2024](#) (New Directions), subsequent to and this Master Direction will be effective from April 01, 2024 and will supersede

- 1) [Master Directions on Money Market Instruments](#)
- 2) [Reserve Bank Commercial Paper Directions, 2017](#)

However, the aforementioned provisions will be still applicable to the issuances before April 01, 2024 until their maturity date.

## Highlights -

Significant changes have been introduced to the regulations governing short-term non-convertible debentures (NCDs). While many provisions for commercial paper (CP) remain unchanged, there are notable additions, particularly regarding trading on Stock Exchanges (SEs). Previously, trading exclusively through Over-The-Counter (OTC) was permitted, but now, with the option for CP to be listed as per SEBI's approval, trading through stock exchanges has been incorporated.

The amendments aim to eliminate any tangible distinction between the nature of CP and short-term NCDs, except for the aspect of security. Previously, NCDs could be issued in either secured or unsecured modes. However, the new directions define NCDs specifically as secured money market instruments. This essentially removes the incentive for issuers to opt for NCDs, as issuing unsecured CP becomes more favorable.

A comparison of the New Directions with Draft Directions and Existing Provisions has been presented below -

**Comparison between Master Direction – Reserve Bank of India (Commercial Paper and Non-Convertible Debentures of original or initial maturity upto one year) Directions, 2024, Draft Commercial Paper and Non-Convertible Debentures (Reserve Bank) Directions, 2020 and Extant Provision on CP and NCDs (short term)**

| Sr. No. | Provision                 | Erstwhile Provision (NCDs and CP)   | Draft Directions   | New Directions   | Remarks   |
|---------|---------------------------|---|--|--|---|
| 1.      | Definition of NCD         | NCDs means a debt instrument issued by a corporate (including NBFCs) with original or initial maturity up to one year and issued by way of private placement. | NCDs means a secured, coupon-bearing money market instrument evidencing a debt with an original or initial maturity upto one year. | Non-Convertible Debenture (NCD) means a <b>secured money market</b> instrument with an original or initial maturity upto one year. | The definition of NCDs has been amended to specify that NCDs are required to be secured.<br><br><ul style="list-style-type: none"> <li>NCDs were not mandated to be secured in the existing provisions but now the definition itself recognises only secured debentures. Such definition has been adopted from the Draft Directions.</li> </ul> |
| 2.      | Definition/ meaning of CP | Commercial Paper (CP) is an unsecured money market instrument issued in the   | Commercial Paper (CP) means an unsecured money market instrument issued in the form  | Commercial Paper (CP) means an unsecured money market  | Meaning of CP has been specifically included in the New Directions.   |

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|         |                    | form of a promissory note. The original tenor of a CP shall be between seven days to one year  | of a promissory note and issued at a discount to face value.   | instrument issued in the form of a promissory note   |  |
| 3       | Definition of AIFI | <b>For CP and NCD:</b><br>Reference was drawn to paragraph 2 of the Reserve Bank <a href="#">Master Direction no. DBR.FID.No.108/01.02.00/0/2015-16</a> on Financial Statements of All India Financial Institutions - Presentation, Disclosure and Reporting | <b>For CP and NCD:</b><br>Reference was drawn to paragraph 2 of the Reserve Bank <a href="#">Master Direction no. DBR.FID.No.108/01.02.000/2/015-16</a> on Financial Statements of All India Financial Institutions - Presentation, Disclosure and Reporting | All India Financial Institution (AIFI) shall include:<br>a) Export Import Bank of India,<br>b) National Bank for Agriculture and Rural Development,<br>c) National Housing Bank,<br>d) Small Industries Development Bank of India and<br>e) National Bank for Financing Infrastructure and Development | The New Directions provide a specific definition which also includes National Bank for Financing Infrastructure and Development. |
| 4       | Definition of Bank | <b>For CP and NCDs:</b><br>“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   | Bank 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” or “State Bank of India” as defined in clause (da) and   | Bank means a banking company (including a <b>Payment Bank and a Small Finance Bank</b> ) as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949 (10 of 1949) or a “ <b>regional</b>   | The definition of Bank as per the New Directions include Regional Rural Bank, Small Finance Bank and Payment Bank                |

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|         |                                | <p>“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 the Act.</p> | <p>clause (nc) respectively thereof and includes a “cooperative bank” as defined in clause (cci) of Section 5 read with Section 56 of the said Act.</p>  | <p><b>rural bank</b>”, 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</p>  |  |
| 5       | Definition of the Group Entity | <p><b>For CP and NCD:</b><br/>No existing definition</p>  | <p>Group entities means an arrangement involving two or more entities related to each other through any of the following relationships:<br/>(a) subsidiary – parent (defined in terms of AS 21);<br/>(b) joint venture (defined in terms of AS 27);<br/>(c) associate (defined in terms of AS 23);<br/>(d) Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies; (e) common brand name or (f)</p> | <p><b>Group entities</b> means an arrangement involving two or more entities related to each other through any of the following relationships:<br/>(a) subsidiary – parent (defined in terms of <b>Ind-AS 110/AS 21</b>);<br/>(b) joint venture (defined in terms of <b>Ind-AS 28/AS 27</b>);<br/>(c) associate (defined in terms of <b>Ind-AS 28/AS 23</b>);<br/>(d) Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies;</p> | <p>The New Directions retains the definition of the Draft Directions except drawing reference to relevant Ind- AS.</p> |

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|         |   |   | investment in equity shares of 20% and above.  | (e) common brand name or (f) investment in equity shares of 20 per cent and above.  |  |
| 6       | Definition of Infrastructure Investment Trust (InvIT) and Real Estate Investment Trust (REIT) | <b>For CP and NCD</b><br>No existing definition   | No definition was provided in the Draft Direction.   | Infrastructure Investment Trust (InvIT) means a business trust as defined in sub-clause (i) of clause 13A of section 2 of the Income-tax Act, 1961.<br>Real Estate Investment Trust (REIT) means a business trust as defined in sub-clause (ii) of clause 13A of section 2 of the Income-tax Act, 1961. | The definitions of InvIT and REIT are added. They are identified as one of the eligible issuers under the New Directions.  |
| 7       | Definition of Related Party   | <b>For CP:</b><br>Related parties' shall be as defined in section 2 (76) of the Companies Act, 2013.<br><br><b>For NCDs:</b><br>No definition provided for NCDs | In the Draft Directions, Related parties shall be as defined in Section 2 (76) of the Companies Act, 2013. | Related parties shall have the same meaning as assigned to it under Indian Accounting Standard (Ind AS) 24 – Related Party Disclosures or International Accounting Standard (IAS) 24 – Related Party Disclosures or any other equivalent accounting standards.  | The New Directions draw reference to the related party definition as per Ind AS 24 instead of the Companies Act, 2013.<br><br>Since the reference is solely for identifying related parties, the same will be referred to even in cases where Ind AS is not mandatorily applicable on companies. |
| 3.      | Eligible issuers  | <b>For CP:</b><br>1. Companies, incl. NBFCs, and AIFIs,   | <b>For both CP and NCDs:</b><br>Following entities are eligible provided that all fund-based               | NCDs and CP are issued by following entities provided that any fund-based facility availed  | List of eligible issuers has been amended to widen the scope by deletion of certain eligibility requirements.  |

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|         |           | <p>provided that any fund-based facility availed of from banks and/or financial institutions is classified as a standard asset by all financing banks/institutions at the time of issue</p> <p>2. Co-operative societies/unions, government entities, trusts, limited liability partnerships and any other body corporate having presence in India with a net worth of ₹ 100 crore and higher provided that any fund-based facility availed of from banks and/or financial institutions is classified as a standard asset;</p> <p>3. Any other entity permitted by RBI</p> <p><b>For NCDs:</b></p> | <p>facilities availed by them from banks and FIs are classified as Standard at the time of issue –</p> <ul style="list-style-type: none"> <li>• Companies incl. NBFCs and AIFIs;</li> <li>• Any other body corporate with minimum net worth of 100 crore or higher, provided such body corporate is statutorily permitted to incur debt and issue debt instruments in India</li> <li>• Any other entity permitted by RBI</li> </ul> <p><b>For CP only:</b><br/>Cooperative societies/ unions and LLPs having minimum net worth of 100 crores or higher and all fund-based facilities availed by them from banks and FIs are classified as Standard at the time of issue</p> | <p>of from banks and/or financial institutions is classified as a standard asset by financing banks/ institutions at the time of issue</p> <p>(i) Companies;</p> <p>(ii) NBFCs, including Housing Finance Companies (HFCs);</p> <p>(iii) InvITs and REITs;</p> <p>(iv) All India Financial Institutions (AIFIs);</p> <p>(v) Any other body corporate with a minimum net-worth of Rs. 100 crore, provided that the body corporate is statutorily permitted to incur debt or issue debt instruments in India.</p> <p>(vi) Any other entity specifically permitted by the Reserve Bank.</p> <p><b>For CP only:</b><br/>In addition to the aforesaid, CP can also be issued by Co-operative societies and</p> | <p><b>Body corporate:</b><br/>The existing provision requires body corporates to have a presence in India to be eligible to issue CP. The New Directions provide that body corporates that are statutorily permitted to incur debt and issue debt instruments and having a minimum net worth of Rs. 100 crores in India are permitted to issue CP.</p> |

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|         |                    | Corporate eligible to issue NCD if it fulfils the eligibility criteria– <ul style="list-style-type: none"> <li>• Tangible net worth of at least 4 crores (not applicable to NBFC including Primary Deale;.</li> <li>• Working capital limit sanctioned by Banks or FIs; and</li> <li>• Borrowal account classified as standard asset by the Bank or FI.</li> </ul> |  | limited liability partnerships with a minimum net-worth of ₹100 crore provided that any fund-based facility availed of from banks and/or financial institutions is classified as a standard asset by all financing banks/institutions at the time of issue                             |  |
| 4.      | Eligible investors | <b>For NCDs:</b><br>Individuals, banks, Primary Dealers (PDs), other corporate bodies including insurance companies and mutual funds registered or incorporated in India and unincorporated bodies, Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs).  | <b>For CP and NCDs:</b><br>1. All residents, and non-residents permitted to invest under FEMA Act<br>2. Investors cannot invest in CP and NCDs issued by related parties | The eligible investors for both the Cp and NCDs are as follows:- <ol style="list-style-type: none"> <li>a) All residents</li> <li>b) Non- residents to the extent permitted by FEMA provisions</li> <li>c) Investors cannot invest in CP and NCDs issued by related parties</li> </ol> | <b>For NCDs:</b><br>The New Directions restrict investment in NCDs issued by related parties<br><br><b>CP:</b><br>Same as before |

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|         |               | <p>Subject to approval of respective statutes and regulator.</p> <p>Investments by the FIIs subject to FEMA and other rules, regulation issued by SEBI.</p> <p><b>For CP:</b></p> <p>1.All residents, and non-residents permitted to invest in CP under FEMA Act. However, investors cannot invest in CP issued by related parties</p> <p>2.Regulated financial sector entities subject to conditions by regulator</p> |   |  |   |
| 5.      | Form of Issue | <p><b>NCDs:</b></p> <ul style="list-style-type: none"> <li>Option available to both issuers and subscribers to issue/hold NCDs in dematerialised or physical form</li> </ul>   | CP and NCDs are to be issued in demat form and held with a depository registered with SEBI. | CP and NCDs shall be issued in dematerialised form and held with a depository registered with SEBI | <p><b>For CP:</b><br/>Same</p> <p><b>For NCDs:</b><br/>NCDs were held in physical as well as demat form except in case of investment by Banks, FIs and PDs. RBI</p> |



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|         |              | <ul style="list-style-type: none"> <li>• However encouraged to issue/ hold NCDs in dematerialised form.</li> <li>• Banks, FIs and PDs are required to make fresh investments in NCDs only in demat form.</li> </ul> <p><b>For CP:</b><br/>CP to be issued in demat form</p> |  |  | <p>has now specified that NCDs should be issued in demat form only.</p> <p>It may be noted that these Directions shall apply to transactions in CP and NCDs entered into from the date the Directions come into effect. The existing provisions will continue to be applicable to CP and NCDs issued already till the maturity of those CP and NCDs.</p> |
| 6.      | Denomination | <p><b>For NCDs:</b><br/>NCDs may be issued in denominations with a minimum of Rs.5 lakh (face value) and in multiples of Rs.1 lakh</p> <p><b>For CP:</b><br/>CPs to be issued in denomination of 5 lakh and multiples thereof</p>   | CP and NCDs to be issued in denomination of 5 lakh and multiples thereof                                 | CP and NCDs to be issued in denomination of 5 lakh and multiples thereof                                 | <p><b>For CP:</b><br/>Same in case of CP</p> <p><b>For NCDs:</b><br/>NCDs to be issued in multiples of 5 lakh instead of 1 lakh as provided in the extant provision</p>  |
| 7.      | Tenor        | <p><b>For NCDs:</b></p> <ul style="list-style-type: none"> <li>• Tenor - 90 days – 1 year</li> <li>• The tenor of the NCDs shall not exceed the validity period of the</li> </ul>   | <p><b>For NCDs:</b><br/>Tenor - 90 days – 1 year.</p> <p><b>For CP:</b><br/>Tenor – 7 days to 1 year</p> | <p><b>For NCDs:</b><br/>Tenor - 90 days – 1 year.</p> <p><b>For CP:</b><br/>Tenor – 7 days to 1 year</p> | Same   |

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|         |               | credit rating of the instrument.<br><br><b>For CP:</b><br><br>Tenor – 7 days to 1 year  |  |   |  |
| 8.      | Options       | <b>For NCDs:</b><br>The exercise date of option (put/call), if any, attached to the NCDs shall not fall within the period of 90 days from the date of issue.<br><br><b>For CP:</b><br>Options not permitted | Options (call/put) not permitted on CP and NCDs.   | Options (call/put) not permitted on CP and NCDs.  | <b>For CP:</b><br>Same<br><br><b>For NCDs:</b><br>Options will not be permitted on NCDs as well.   |
| 9.      | Underwriting  | <b>For NCDs:</b><br>No provision<br><br><b>For CP:</b><br>Cannot be under-written or co-accepted  | Cannot be under-written or co-accepted   | Cannot be under-written or co-accepted  | Same   |
| 10.     | Documentation | <b>For NCD</b><br>Issuers shall follow the Disclosure Document by FIMMDA.<br><br><b>For CP:</b>   | <ul style="list-style-type: none"> <li>Offer documents for the issue of CP and NCDs shall contain minimum disclosures as specified in Annex I as mentioned in the Draft Directions.</li> </ul> | <p>Issuers shall follow the Disclosure Document by FIMMDA.</p> <ul style="list-style-type: none"> <li>Offer documents for the issue of CP and NCDs shall contain</li> </ul> | <ul style="list-style-type: none"> <li>Disclosures have been provided by RBI to be made in the offer document</li> <li>Annexure is provided for the same.</li> <li>In case of NCDs and CP, no specific disclosure requirements were</li> </ul> |

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|---------|----------------------------------|---|---|---|---|
|         |                                  | <ul style="list-style-type: none"> <li>Issuers, investors and Issuing and Paying Agents shall follow the standard procedures and documentation prescribed by FIMMDA as 'Operational Guidelines on CP'.</li> <li>Issuer to make disclosures in the offer document as given in Annex II.</li> </ul>                                 | <ul style="list-style-type: none"> <li>Annexure I includes details of outstanding CP and NCDs, debt instruments, credit rating, summary of past 3 financials, end use of funds etc.</li> </ul>  | <p>minimum disclosures as specified in Annex I</p> <ul style="list-style-type: none"> <li>This includes details of outstanding CP and NCDs, debt instruments, credit rating, summary of past 3 financials, end use of funds etc.</li> </ul>   | <p>specified but issuers were required to follow the format of disclosure document provided by FIMMDA</p>   |
| 11.     | Guarantee for credit enhancement | <p><b>For NCDs:</b><br/>No existing provision</p> <p><b>For CP:</b></p> <ul style="list-style-type: none"> <li>A CP shall be issued as a 'stand-alone' product</li> <li>Banks and FIs may, based on their commercial judgement, choose to provide stand-by assistance/credit, back-stop facility etc. by way of credit</li> </ul> | <ul style="list-style-type: none"> <li>Non-bank entities (including corporates) can provide unconditional and irrevocable guarantee for credit enhancement of CP and NCDs issued by a group entity subject to appropriate disclosures in offer document.</li> <li>All details of credit enhancement to be provided in the offer document.</li> <li>The guarantor shall have a credit rating at least one</li> </ul> | <ul style="list-style-type: none"> <li>Banks and AIFIs may, based on their commercial judgement and subject to prudential guidelines issued by Department of Regulation, RBI, choose to provide stand-by assistance/credit, back-stop facility, etc., by way of credit enhancement for a CP/NCD issue.</li> <li>Non-bank entities (including corporates) may provide unconditional and irrevocable guarantee for</li> </ul> | <p><b>For CP:</b></p> <ul style="list-style-type: none"> <li>Same</li> <li>The requirement that the guarantor should have a credit rating higher than the issuer, has not been adopted in the New Directions.</li> </ul> <p><b>For NCDs:</b><br/>No existing requirement in place</p> |

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|         |                                | <p>enhancement for a CP issue</p> <ul style="list-style-type: none"> <li>• Non-bank entities (including corporates) may provide unconditional and irrevocable guarantee for credit enhancement for CP issue provided 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.</li> </ul> | <p>notch higher than the issuer.</p>   | <p>credit enhancement of CP and NCDs issued by a group entity subject to making appropriate disclosures as set out in Annex I.</p> |   |
| 12.     | Settlement of primary issuance | No existing provision for both CP and NCD  | <p><b>Primary issuance</b><br/>The settlement of primary issuances of CP and NCDs, including both payment of</p> | <p><b>Primary issuance</b><br/>The settlement of primary issuances of CP and NCDs, including both payment of</p>                   | <p>Settlement of Primary issue has now been specified.<br/>The settlement period of T+1 basis mentioned in recommendation was not</p> |

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|---------|---|--|--|--|---|
|         |   |  | funds to the issuer and issue of CP to the investors, shall be on T+1 basis, where T represents the date of closure of the issue.  | funds to the issuer and issue of CP to the investors, shall be settled within a period not exceeding T+4 basis, where T represents deal date i.e., the date on which the trade details, including price/rate are agreed by the issuer and the investor(s). | adopted, rather a Settlement period not exceeding T+ 4 basis will now be applicable.  |
| 13.     | Restriction on issuance to individual investors | No existing provision for both CP and NCD  | Total subscription by all individual investors, including HUFs, in any primary issuance of CP or NCDs shall not exceed 25% of the total amount issued.   | Total subscription by all individual investors, including HUFs, in any primary issuance of CP or NCDs shall not exceed 25% of the total amount issued.   | Restriction on individual investors in case of primary issuance had been specified in Draft Direction, the same has been adopted in the New Direction. However, can individual/ HUF investors purchase from the secondary market above 25%? |
| 14.     | Restriction on issuance to entities             | No existing requirement  | Investments in any primary issuance of a CP or NCDs by an individual entity, including investments by its related parties, shall not exceed 50% of the issuance.   | No such requirement provided.  | The restriction on total investment by an individual entity along with its related parties cannot exceed 50% provided in Draft Directions has not been adopted  |
| 15.     | Discount/coupon rate                            | <b>For NCDs:</b><br>NCDs may be issued at face value carrying a coupon rate or at a discount to face value as zero coupon instruments as | <b>For NCDs:</b><br><ul style="list-style-type: none"> <li>• Can be issued either at fixed or floating rate.</li> <li>• The floating rate shall be reset periodically and linked to a benchmark</li> </ul> | <b>For NCDs:</b><br>Can be issued at a discount to the face value or with fixed or floating rate coupon.<br>The floating rate shall be reset periodically and linked to a  | <b>For NCDs:</b><br>As per the new definition, NCDs are required to be coupon bearing. Earlier they were allowed to be issued as zero coupon instruments at discount to face value.   |

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|         |                    | <p>determined by the corporate.</p> <p><b>For CP:</b><br/>To be issued at a discount to the face value.</p>   | <p>published by a Financial Benchmark Administrator or approved by FIMMDA.</p> <p><b>For CP:</b><br/>CP to be issued at discount to face value</p>   | <p>benchmark published by a Financial Benchmark Administrator or approved by FIMMDA. The coupon on floating rate NCDs can also be linked to policy rates published by the Reserve Bank.</p> <p><b>For CP:</b><br/>CP to be issued at discount to face value</p> | <p>Also, floating rate was not specified to be used. Now the issuer has an option to issue at floating rate which shall be linked to a benchmark and reviewed periodically.</p> <p>The recommendation made have been adopted</p> <p><b>For CP</b><br/>Same</p>   |
| 16.     | Rating requirement | <p><b>For NCDs:</b></p> <ul style="list-style-type: none"> <li>● Issuer to obtain credit rating from a SEBI registered CRA.</li> <li>● Minimum credit rating shall be A2</li> </ul> <p><b>For CP:</b></p> <ul style="list-style-type: none"> <li>● If total CP issuance during a calendar year is ₹ 1000 crore or more, the issuer to obtain credit rating from at least two CRAs and should adopt the lower of the two ratings.</li> </ul> | <ul style="list-style-type: none"> <li>● Credit rating from at least one CRA for issuance of CP and NCDs.</li> <li>● If total issuances of CP and/or NCDs during an FY is ₹1000 crore or more, issuer to obtain credit rating for issuance of CP from at least two CRAs and shall adopt the lower of the two ratings. Where both ratings are the same, the issuance shall be for the lower of the two amounts for which ratings are obtained.</li> </ul> | Minimum Credit Rating of A3 required for both CP and NCDs   | <ul style="list-style-type: none"> <li>● Here, credit rating from 2 agencies is required to be obtained if the total issuance of CP and/or NCDs in an FY is more than 1000 crore. This means that the <b>total amount to be calculated shall include both CP and NCDs.</b></li> <li>This requirement has been removed and only requirement of having minimum A3 credit rating has been prescribed</li> <li>● Credit rating required <b>for NCDs increased from A2 to A3</b></li> </ul> |

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|---------|-----------|---|---|---|--|
|         |           | <ul style="list-style-type: none"> <li>Where both ratings are the same, the issuance shall be for the lower of the two amounts for which ratings are obtained.</li> <li>The minimum credit rating for a CP shall be 'A3' as per rating symbol and definition prescribed by SEBI.</li> </ul>   | <ul style="list-style-type: none"> <li>The minimum credit rating for issue of CP and NCDs shall be <b>A3</b></li> </ul>   |   |  |
| 17.     | Buy back  | <p><b>For CP:</b></p> <ul style="list-style-type: none"> <li>Buyback of a CP, in full or part, to be at the prevailing market price.</li> <li>Buy-back offer should be extended to all investors. Terms of the buyback should be identical for all investors.</li> <li>Buyback offer may not be made before 30 days from the date of issue</li> <li>CP brought back shall be extinguished.</li> </ul> | <p>Issuers of CP and NCDs permitted to buyback the CP and NCDs before maturity subject to following –</p> <ul style="list-style-type: none"> <li>The buyback of CP can be made only after 30 days from the date of issue and in case of NCDs only after 120 days from the date of issue.</li> <li>Buyback offer to be made to all investors in a particular issue on identical terms and conditions. The investors</li> </ul> | <ul style="list-style-type: none"> <li>Buyback of a CP can be made only after 7 days from date of issue.</li> <li>Buyback of a NCD can be made only after <b>90</b> days from date of issue</li> <li>Buyback offer be made to all investors in a particular issue on identical terms and conditions. The investors have the option to accept or reject the buyback offer.</li> <li>Buyback will be at prevailing market rate.</li> <li>Issuer to inform details of buyback to IPA.</li> </ul> | <p>The Existing provisions and Draft Directions allowing buyback of CP and NCDs after 30 and 120 days respectively from the date of issue has now been amended.</p> <p>Now, buyback of CP is permitted only after 7 days and the buyback of NCD is permitted after 90 days from date of issue.</p> |

| Sr. No. | Provision                          | Erstwhile Provision (NCDs and CP)  | Draft Directions  | New Directions   | Remarks   |
|---------|------------------------------------|--|---|--|---|
|         |                                    | <p><b>For NCDs:</b><br/>No Buyback provision is provided</p>   | <p>have the option to accept or reject the buyback offer.</p> <ul style="list-style-type: none"> <li>● Buyback to be at prevailing market price</li> <li>● Can be brought back partially at the prevailing market price</li> <li>● Issuer to inform details of the buyback to the IPA and DT, on the day of buyback so that the CP and NCDs are extinguished on the same day</li> </ul> | <ul style="list-style-type: none"> <li>● <b>Payment of Buy back to routed through IPA.</b></li> <li>● CP and NCDs bought back will be extinguished on the date of buyback.</li> </ul>  |   |
| 18.     | Limits and Amount of issue of NCDs | <p><b>For CP:</b><br/>No existing provision</p> <p><b>For NCDs:</b><br/>The aggregate amount of NCDs which can be issued to be within limits as approved by the Board of Directors or its equivalent body or the quantum indicated by the Credit Rating Agency for the rating granted, whichever is lower.</p> | The aggregate amount of CP and NCDs which can be issued to be within limits as approved by the Board of Directors or its equivalent body or Quantum indicated by the CRA for the rating granted, whichever is lower.  | The aggregate amount of CP and NCDs which can be issued to be within limits as approved by the Board of Directors or its equivalent body. Provided, the aggregate amount issued by issuer regulated by financial sector regulator will be subject to limit prescribed. | The requirement of aggregate amount of issue of CP and NCDs to be within limit prescribed by BOD or CRA whichever is lower has been removed and changed to be <b>within the limit approved by BOD</b> or such limit prescribed by Financial sector regulator in case of entities regulated by the same has been provided. |



| Sr. No. | Provision | Erstwhile Provision (NCDs and CP)  | Draft Directions  | New Directions   | Remarks  |
|---------|-----------|--|---|--|--|
| 19.     | End Use   | <p><b>For NCDs:</b><br/>No existing provision in the RBI regulations.</p> <p><b>For CP:</b><br/>Exact end use shall be disclosed in the offer document at the time of issue of a CP.</p> | <p>Funds raised through CP and NCDs shall be used to <b>finance current assets and operating expenses.</b></p> <p>The specific end use shall be disclosed in the offer document of the CP and NCDs.</p> | <ol style="list-style-type: none"> <li>1. Funds raised through CP and NCDs shall be used to <b>finance current assets and operating expenses.</b> The end-use of the funds raised through a CP or an NCD shall be disclosed in the offer document.</li> <li>2. Where funds raised are used for <b>purposes other</b> than financing current assets and operating expenses, the specific end use shall be disclosed in the offer document of the CP and NCDs.</li> <li>3. The issuer shall submit a certificate from the Chief Executive Officer/Chief Financial Officer (CEO/CFO) to the IPAs concerned that the proceeds of CP and NCDs have been used for the disclosed purposes and that all other provisions of</li> </ol> | <p>RBI, in the Existing Direction, had not specified any end-use requirements for CP and the same was left at the discretion of the Board. Later, RBI had recommended that CP and NCDs funds should be used to finance current assets and operating expenses. The same was recommended in the Draft Directions.</p> <p>The New Directions do not explicitly prohibit the end use unless the same is disclosed in the offer document.</p> <p>Also, additional requirement of submitting CEO/CFO certificate to IPA has also been added.</p> |

| Sr. No. | Provision                     | Erstwhile Provision (NCDs and CP)  | Draft Directions  | New Directions  | Remarks   |
|---------|-------------------------------|--|---|---|---|
|         |                               |  |   | <p>these Directions and conditions of the offer document have been adhered to. The certificate shall be provided to the IPA within 3 months of the issue of CP/NCD or on maturity of the issue, whichever is earlier.</p> |   |
| 20.     | <p>Procedure for issuance</p> | <p>The procedure for issuance of CP was linked to FIMMDA.<br/><i>Participants / agencies in the CP market shall follow any standardised procedures and documentation which may be prescribed by FIMMDA.</i></p> <p>The procedure for issuance of NCD was specifically provided in the existing directions.<br/>Annex I provides the process for issuance for NCDs.</p> | <p>Covered under the operational guidelines given below</p> | <p>Covered under the operational guidelines given below.</p>  | <p>Same, procedure has been linked to FIMMDA guidelines . However, for NCDs, there are no such FIMMDA guidelines currently.</p> |

| Sr. No. | Provision               | Erstwhile Provision (NCDs and CP)   | Draft Directions  | New Directions  | Remarks   |
|---------|-------------------------|---|---|---|---|
| 21.     | Time limit for issuance | <p>The total amount of CP proposed to be issued should be raised within a period of 2 weeks from opening of issue.</p> <p>CP may be issued on a single date or in parts on different dates and in the latter case, each CP shall have the same maturity date.</p> | No recommendation                                       | Not provided  | <p>The New Directions do not provide for any time limit within which issuance is to be made.</p> <p>While the FIMMDA Guidelines still provide for the erstwhile limit of 2 weeks, the Guidelines are still to be updated in line with the New Directions. In absence of a statutory limit being prescribed, issuers should adhere to the time limit provided in the credit rating letter or in the Board resolution, as may be relevant and whichever is earlier.</p> |
| 22.     | IPA                     | <p><b>For NCDs:</b></p> <ul style="list-style-type: none"> <li>• No such requirement for NCDs.</li> </ul> <p><b>For CP</b></p> <ul style="list-style-type: none"> <li>• Appoint an IPA for issuance of a CP.</li> </ul>   | An IPA shall be appointed for each issue of CP or NCDs. | An IPA shall be appointed for each issue of CP or NCDs. | <p>There was no requirement to appoint IPAs for NCDs and the same was only required for CP.</p> <p>Now, the requirement of appointing IPA is provided for both NCDs and CP.</p> <p>The role and responsibilities of IPA have also been prescribed in the New Directions.</p> <p>Further, the time limit for submission of certificate from CFO/CEO to IPA prescribed in the draft has not been</p>  |

| Sr. No. | Provision                    | Erstwhile Provision (NCDs and CP)  | Draft Directions   | New Directions  | Remarks  |
|---------|------------------------------|--|--|---|--|
|         |                              |  |  |   | adopted, rather a new timeline of submitting the certificate within 3 months from date of issuance or date of maturity whichever is earlier has been prescribed. |
| 23.     | DT                           | <p><b>For NCDs:</b><br/>Issuer to appoint SEBI registered DT for each issuance of NCD.</p> <p><b>For CP:</b><br/>-</p>   | Same   | Same  | Same   |
| 24.     | Trading venue and settlement | <p><b>For NCDs:</b><br/>No existing requirement for NCDs</p> <p><b>For CP:</b><br/>All OTC trades in CP shall be reported within 15 minutes of the trade to the F-TRAC.</p> <p>The settlement cycle for OTC trades in CP shall be T+0 or T+1.</p> <p>OTC trades shall be settled through the clearing corporation of any SE or</p> | <ul style="list-style-type: none"> <li>● CP and NCDs shall be traded either in OTC markets, including on ETPs, or on recognised stock exchanges <b>with the approval of the Reserve Bank.</b></li> <li>● The settlement cycle for OTC trades shall be T+0 or T+1.</li> <li>● All secondary market transactions in CP and NCDs shall be <b>settled on a DvP basis</b> through the clearing corporation of any recognized stock exchange,</li> </ul> | <ul style="list-style-type: none"> <li>● CP and NCDs shall be traded either in OTC markets, including on ETPs, or on recognised stock exchanges, approved by the Reserve Bank for the purpose.</li> <li>● The settlement cycle for OTC trades in CP and NCDs shall be either T+0 or T+1.</li> <li>● All OTC secondary market transactions in CP (including transactions undertaken on ETPs) shall be settled on a DvP basis through the clearing</li> </ul> |  |

| Sr. No. | Provision              | Erstwhile Provision (NCDs and CP)   | Draft Directions  | New Directions   | Remarks  |
|---------|------------------------|---|---|--|--|
|         |                        | any other mechanism approved by RBI.  | or any other mechanism approved by RBI.   | <p>corporation of any recognised stock exchange, or any other mechanism approved by the Reserve Bank.</p> <ul style="list-style-type: none"> <li>All OTC secondary market transactions in NCDs (including transactions undertaken on ETPs) shall be settled <b>bilaterally</b>, or on a DvP basis through the clearing corporation of any recognised stock exchange, or any other mechanism approved by the Reserve Bank</li> </ul> <p><i>(Same as a draft except that it additionally only provides that secondary market transactions in NCDs can be settled bilaterally too.)</i></p> |  |
| 25.     | Repayment of CP / NCDs | <p><b>For NCDs:</b><br/>Minimum maturities - 90 days from the date of issue</p> <p><b>For CP:</b><br/>No existing requirement</p> | <ul style="list-style-type: none"> <li>No grace period</li> <li>Maturity date to not collide with a scheduled holiday</li> <li>If an unscheduled holiday falls on the maturity date, payment to be made on</li> </ul> | <ul style="list-style-type: none"> <li>No grace period</li> <li>Issuer shall make the funds for redemption available to IPA by 3:00 p.m on redemption date.</li> </ul>   | Instructions in case of maturity period have been specified. |

| Sr. No. | Provision | Erstwhile Provision (NCDs and CP)  | Draft Directions  | New Directions   | Remarks  |
|---------|-----------|--|---|--|--|
|         |           |  | <p>immediately preceding the working day.</p> <ul style="list-style-type: none"> <li>If payment cannot be made on preceding day then next working day</li> </ul>  | <ul style="list-style-type: none"> <li>The repayment shall be routed through the IPA</li> </ul>  |  |
| 26.     | Default   | <p><b>For NCDs:</b></p> <ul style="list-style-type: none"> <li>The DTs to report immediately full particulars of defaults in repayment of NCDs</li> </ul> <p><b>For CP:</b></p> <ul style="list-style-type: none"> <li>Issuers shall inform the CRA and IPA on the same day about any default/delay in CP related payments.</li> <li>The issuer who has defaulted on a CP shall not be allowed to access the CP market for 6 months from the date of repayment of the defaulted obligation.</li> </ul> | <ul style="list-style-type: none"> <li>Issuer shall make funds for redemption available to the IPA by 4 P.M. on the redemption date</li> <li>In case of defaulted on the repayment of a coupon/redemption, partially or in full, of a CP and/or NCDs, issuer shall not be allowed to access the respective market from the date of default till 6 months after the complete repayment of the defaulted obligation.</li> <li>For the six months, issuer to obtain ratings from <b>at least 2 CRAs</b> for any fresh issuance irrespective of the amount of total issuance during the financial year</li> </ul> | <ul style="list-style-type: none"> <li>Issuer shall make funds for redemption available by <b>3:00 P.M.</b></li> <li>Details of the default on the repayment of a coupon/redemption, partially or in full, has to be submitted to the IPA/ DT as the case may be before <b>5:00 p.m</b> by the issuer on the date of default.</li> <li>The details of the default have to be publicly disseminated through the website of the issuer and the F-TRAC Platform.</li> <li>Repayment of the obligation can be routed through IPA or DT.</li> </ul> | <p>The timing for making the funds available for redemption and reporting the details of the default to the concerned person is preponed.</p> <p>The New Directions also provide the for the event of conversion of CP/NCD to financial instruments due to any scheme/ arrangement.</p> <p>The Draft Directions stated the requirement for obtaining CRA for fresh issuance which is not retained in the New Directions.</p> |

| Sr. No.                             | Provision     | Erstwhile Provision (NCDs and CP)         | Draft Directions   | New Directions   | Remarks  |
|-------------------------------------|---------------|---|--|--|--|
|                                     |               |   | <p>and compliance with all other requirements.</p> <ul style="list-style-type: none"> <li>The issuer to inform the CRA, DT and IPA on the same day about any default in the CP and NCDs related payments before 5:30 PM. <b>All default details shall be publicly disseminated on the F-TRAC platform.</b></li> <li>Information about any default shall also be put on the website by the issuer.</li> <li>IPA shall ensure that partial repayments, if any, are distributed to investors in proportion to the investment made in the CP or NCDs.</li> </ul> | <ul style="list-style-type: none"> <li>CP/NCD shall stand extinguished on the date of their conversion into any financial instrument pursuant to any bilateral / multilateral agreement or restructuring scheme and the conversion should be reported by the issuer to the IPA and the Debenture Trustee.</li> <li>In case of defaulted on the repayment of a coupon/ redemption, partially or in full, the issuer shall not be allowed to issue CP or NCDs till full repayment of the defaulted obligation or six months after the date of default, whichever is earlier</li> </ul> |  |
| <b>Other Operational Guidelines</b> |               |   |  |  |  |
| 1                                   | Market timing | <b>For CP:</b><br>No existing requirement | Primary issuance and secondary market trading hours shall be between 9:00  | The provisions of the New Directions are the same as the Draft Directions.   | CP issuances and trading shall be done on working days between 9:00 am to 5:00 pm. |

| Sr. No. | Provision                          | Erstwhile Provision (NCDs and CP)   | Draft Directions  | New Directions  | Remarks   |
|---------|------------------------------------|---|---|---|---|
|         |                                    |   | AM and 5:00 PM on a working day.  |   |   |
| 2       | Market Practices and Documentation | <p><b>For both the CP and NCDs:</b><br/>Issuers shall follow the Disclosure Document by FIMMDA.</p> | Participants / agencies in the CP and NCD markets shall follow procedures by FIMMDA.  | The provisions of the New Directions are the same as the Draft Directions.  | Same as the erstwhile provisions.   |
| 3       | Reporting requirements             | Neither in CP directions nor provided in NCD Direction  | <p><b>Primary issuances:</b><br/>Details of all transactions in primary markets of the CP and NCDs, instances of default and repayment of defaulted obligation shall be reported by the IPA on the FTRAC by 5:30 PM on the day of issuance, default or repayment of defaulted obligations as the case may be.</p> | The same provisions of the Draft Directions are retained in the New Directions.   |   |
|         |                                    |   | <p><b>Secondary market transactions:</b><br/>All such transactions except on exchanges, to be reported by IPA on F-TRAC by 5:30 within 15 minutes of execution with time stamp.</p>   | <p><b>Secondary Market Transactions</b><br/>All such transactions either executed on the OTC market or the stock exchange has to be reported within 15 minutes of execution of the transaction by</p> | The New Directions do not provide different reporting requirements for the secondary market on OTC and Stock exchanges. Both of the transactions have to be reported within 15 minutes of the transaction |



| Sr. No. | Provision | Erstwhile Provision (NCDs and CP) | Draft Directions  | New Directions  | Remarks  |
|---------|-----------|-----------------------------------|---|---|--|
|         |           |                                   |   | the counter parties on the F-TRAC platform  |  |
|         |           |                                   | <p><b>Secondary market transactions on exchanges</b><br/>All transactions on SEs shall be reported on the F-TRAC platform by the SEs after the close of business on the same day.</p> |   | Onus is on the SE  |
|         |           |                                   | <p><b>Buyback</b><br/>Shall be reported by IPA on F-TRAC by 5:30 pm on buyback date.</p>  | The same provisions of the draft directions are introduced in the new directions.   |  |
|         |           |                                   | <p><b>Reporting by depositories:</b><br/>Depositories to inform details of CP and NCDs held in demat form at fortnightly intervals to RBI.</p>  | <p>Reporting by depositories is the same as provided in the Draft Directions.</p> <p><b>Reporting by debenture trustee</b><br/>Report to the relevant office of RBI, the details of the outstanding amount of NCDs and the particulars of default in repayment of NCD, at quarterly intervals (within 15 days from the end of the</p> | <p>The New Directions provide for the reporting by Debenture Trustee as well in the prescribed format in Annex III. This was not provided in the Draft Directions.</p> <p>Therefore, DTs are required to report the details of the outstanding amount of NCDs and default in repayment of NCD.</p> |

| Sr. No. | Provision  | Erstwhile Provision (NCDs and CP)  | Draft Directions   | New Directions  | Remarks  |
|---------|--|--|--|---|--|
|         |  |  |  | quarter), in the format prescribed.   |  |
| 4       | Obligation to provide information sought by the Reserve Bank | Neither in CP nor in NCDs Direction .  | RBI to call for information or seek any clarification.   | RBI can call for information or seek any clarification from the entities stated and within the time period specified. | The provision of the Draft Directions is retained in the New Directions.   |
| 5       | Violation of directions                                      | <b>For NCD:</b><br>Violation will attract penalties, including debarring of the entity from the NCD market<br><b>For CP :</b><br>No existing requirement for CP. | RBI may disallow any entity from accessing CP and NCDs market for a period not exceeding 1 month at a time. Opportunity of being heard to be provided. | The same provision of the Draft directions is kept in the New Directions.   | Similar to NCDs, the disqualification from accessing the CP market has been imposed on CP issuers for violation of these directions. |
| 6       | Non-applicability of other directions                        | <b>For CP:</b><br>For Master directions on acceptance of public deposits to not be applicable to NBFCs in this case<br><b>For NCDs-</b><br>NO existing provision | Master directions on acceptance of public deposits to not be applicable to NBFCs in this case.   | Master Directions on acceptance of public deposits are not applicable to NBFCs.                                       | For NCDs, the same is clarified in the draft as well as the new directions.  |

| Sr. No. | Provision                         | Erstwhile Provision (NCDs and CP)   | Draft Directions                | New Directions   | Remarks  |
|---------|-----------------------------------|---|---------------------------------|--|--|
| 11      | Obligations of IPA, issuer and DT | <p><b>For NCDs:</b><br/>Obligations provided for DT, issuer and CRA<br/>For</p> <p><b>For CP:</b><br/>Obligations provided for IPA and issuer</p> | Obligations for DT, IPA and CRA | The New Directions provides for the obligations (roles and responsibilities) of the IPA, DT and CRA. Further , it also states that in case of violation by these entities, RBI has the power to suspend them for a time period as it may deem fit. | The Draft Directions provided for the format of IPA Certificate which is not retained in the New Directions. Further, new responsibilities of the IPA are added which includes obtaining a certificate from the CEO/ CFO of the issuer which discloses the end use of the proceeds and ensuring the adherence to reporting requirements by the issuer. |

# Annex I

## **Procedure for issuance of NCD**

- The corporate shall disclose to the prospective investors, its financial position as per the standard market practice.
- The auditors of the corporate shall certify to the investors that all the eligibility conditions set forth in these directions for the issue of NCDs are met by the corporate.
- The requirements of all the provisions of the Companies Act, 1956 and the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, or any other law, that may be applicable, shall be complied with by the corporate.
- The Debenture Certificate shall be issued within the period prescribed in the Companies Act, 1956 or any other law as in force at the time of issuance.
- NCDs may be issued at face value carrying a coupon rate or at a discount to face value as zero coupon instruments as determined by the corporate