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FIMCIR/2023-24/36

Date: 29th December 2023

TO ALL MEMBERS AND STAKEHOLDERS

Operational Guidelines on Certificate of Deposit (CD)

To ensure smooth functioning of the markets, FIMMDA, in consultation with RBI, publishes standardized procedure and documentation, for various products in consonance with the international best practices. These guidelines are to be adhered to by all the participants.

FIMMDA Operational Guidelines on Certificate of Deposit (CD) were last published on 17th March 2020. These have now been revised / updated based on RBI Master Directions for Certificate of Deposit dated 4th June 2021.

FIMMDA had also issued guidelines on Floating Rate CD and CD Buyback provisions. Current revision of CD Operational Guidelines consolidates all provisions of CD Operations, including the above-mentioned guidelines.

Due care has been taken in preparation of these guidelines. In case of any conflict / variation with Regulatory guidelines market participants should follow extant Regulatory guidelines [Master Direction- Reserve Bank of India (Certificate of Deposit) Directions 2021 as amended from time to time].

These guidelines are an integral part of FIMMDA Handbook of Market Practices.

Sd/-

G. Ravindranath

Chief Executive Officer

Standardized Procedure, Documentation and Operational Guidelines for Certificate of Deposit (CD)

1. Eligible Issuers:

- (a) Certificate of Deposit may be issued by Banks (Scheduled Commercial Banks, Regional Rural Banks, Small Finance Banks);

Master Direction – Reserve Bank of India (Certificate of Deposit) Direction 2021 vide circular no. RBI/2021-22/79 FMRD.DIRD.03/14.01.003/2021-22) dated 4th June 2021 can be accessed vide link below:

[Master Direction – Reserve Bank of India \(Certificate of Deposit\) Directions, 2021](#)

- (b) Certificate of Deposit issued by the All India Financial Institutions:

Certificate of Deposit issued by All India Financial Institutions, shall be guided by the Directions contained in Master Circular No. *FID.FIC.1/01.02.00/2015-16*, issued by RBI on Resource Raising Norms for Financial Institutions dated 1st July 2015 as amended from time to time. (Link provided below):

[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](#)

2. Operational Guidelines:

A. Issue of Certificate of Deposit:

i. Creation of Security (ISIN):

The Issuer (and/or Registrar) will put in place necessary arrangements with the Depository. Once necessary arrangement with a Depository is in place, the Issuer should have an ISIN created.

ISIN would be allotted on the basis of the date of maturity of the CD, irrespective of the date of issue.

ii. Validity of the ISIN:

Multiple CDs can be issued under the same ISIN as long as the due date of all the CDs is same.

Issuer should intimate the Registrar and Transfer Agent (RTA) about the creation of the security.

B. Deal Confirmation:

The issuer will exchange the Deal Confirmation (**ANNEXURE-I**) with the investor/s.

C. Stamp Duty:

Stamp duty to be paid to Depositories, as per rates applicable in accordance with relevant guidelines.

Stamp duty on secondary market transactions will be collected by the clearing agents.

D. Activation of the ISIN:

The issuer will send a letter (refer **ANNEXURE-II**) to the depository through the RTA, to activate the ISIN.

E. Settlement (Primary Issue):

After the ISIN is activated, on value date, upon the receipt of the stated consideration through approved mode of remittance the RTA will advise the depository to credit the security to the Demat accounts of the investors as per the list provided by the issuer.

F. Issuer Certificate:

The issuer will issue a certificate (**ANNEXURE-III**) to the investor/s at the time of issue.

G. Payment of CD:

- i. No transfers / transactions will be permissible on maturity date of CD.
- ii. One working day before the maturity date, the issuer will send a request to the depositories seeking list of investors (BENPOS report) along with their bank account details as at the end of that day.
- iii. The depositories will furnish the BENPOS statement before 11:00 A.M. on the maturity date to the issuer directly or through the Registrar and Transfer Agent.
- iv. The issuer, shall make full redemption payment to the investors / holders of CD by 2 P.M. by electronically crediting the bank account of the investors.
- v. This redemption payment should be done without requiring the investors to transfer the units of CDs from their demat accounts to the demat account of the issuer.
- vi. When CDs are fully redeemed the issuer will advise the depositories through Registrar and Transfer Agent to extinguish the CD as a debit corporate action on the same day.
- vii. Based on the certificate / declaration made by the issuer of CD confirming that the full redemption has been made, the depositories shall extinguish the CD by debiting the demat accounts of the investors.
- viii. CDs will be redeemed on a Mumbai business day.
- ix. CDs maturing on any Saturday, Sunday will be payable on the immediately preceding Mumbai business day.
- x. Likewise, a CD maturing on a holiday at Mumbai will be paid on immediately preceding Mumbai business day.

H. Certificate of Deposit (CD) on Floating Rate Basis:

- a. Operational Guidelines for CDs issued on Floating Rate Basis are effective from 6th December 2021.
- b. Certificate of Deposit issued on a Floating Rate Basis shall be issued at par (i.e., Rs. 100).
- c. The interest rate on the floating rate CDs is reset at periodic rests agreed to at the time of issue.
- d. In terms of Master Direction – Reserve Bank of India (Certificate of Deposit) Directions 2021, the interest rate on a floating rate CD shall be linked to a benchmark published by a Financial Benchmark Administrator (FBA), defined to mean 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, or approved by FIMMDA for the purpose. Additionally, CDs linked to RBI Repo rate can also be issued.
- e. The CDs issued on floating rate basis may be issued with or without a pre-agreed spread over the said benchmark.
- f. Mode of compounding will be at the discretion of the issuer and as agreed upon at the time of issue. As Compounding only the benchmark / compounding both benchmark and spread practices are prevalent. it is proposed for a uniform practice that compounding of both Benchmark and spread be applicable.
- g. The spread will remain fixed during the currency of the CD. In case the benchmark rate is an overnight rate, the rate as published on a trading day will hold good for subsequent days if the subsequent days are Saturday / Sunday / a Non-Trading Day when the specific benchmark is not published. Thus, Overnight rate published on Friday will be applicable for succeeding Saturday and Sunday and Previous day Overnight rate will be applicable if following day(s) is a market holiday for interest calculation purpose. In case of Unscheduled Holiday, the conventions as applicable for Unscheduled Holiday as given in FIMMDA Handbook of Market Practices and as amended from time to time will apply.
- h. **Redemption:** Procedure of redemption is as applicable for a Discounted CD.
- i. **Redemption Value:** Principal Value (i.e., Rs. 100) plus, interest accrued (Benchmark rate plus the fixed spread) will be paid to holder of the CD on maturity date.
- j. Process for Buyback of CDs issued on Floating Rate Basis is the Same as applicable for a Discounted CD.

I. Buyback of Certificate of Deposit:

- 1) Operational Guidelines for Buyback of CDs are effective from 17th February 2022.
- 2) Buyback of CDs shall be governed by Master Direction- Reserve Bank of India (Certificate of Deposit) Directions 2021as amended from time to time.

- 3) The Buyback Offer must be made to “All Investors” as per BENPOS statement generated at EOD one business day prior to Offer Start Date on identical terms and conditions.
- 4) The term “All Investors” will constitute those investors who have registered their valid email ID, with the Depository.
- 5) Investors may submit offers in single / multiple lots.
- 6) The Buyback can be for full amount or partial amount of the total outstanding under an ISIN.
- 7) In case of partial buyback, if the investors offer for more than the amount announced under the Buyback offer amount will be accepted on a proportionate basis.
- 8) The Offer Start Date and the Offer Closing Date of the Buyback can be the same date or may be different date at the discretion of the issuer.

9) **Buyback Process Flow:**

i. One day Prior to Offer Start Date:

Issuer to send intimation to the depository and RTA regarding intention of buyback of CD with offer letter as per format given in **ANNEXURE-IV**, at least one business day prior to Offer Start date duly capturing details such as:

- a. ISIN
- b. Offer Start Date & Time
- c. Offer Closing Date & Time
- d. Offer Price
- e. Settlement Date
 - i. In case of T+0: Same as Offer Closing Date
 - ii. In case of T+1: Next Business Day after Offer Closing Date

ii. Offer Start Date:

- a. The Issuer must ensure that offer letters of buy back are sent to “All Investors” before the market opening hours on the Offer Start Date, in coordination with RTA / Depository.
- b. Depository sends confirmation to issuer of having sent the offer to “All Investors” as per BENPOS statement (Refer clause 3 above), before opening of Market Hours on the Offer Start Date.

iii. Offer Closing Date:

- a. After receiving the buyback offer Investors willing to offer their units for buyback should send Deal Confirmations to the Issuer, as per format given in **ANNEXURE-V** before 3.00 P.M. on the Offer Closing Date.
- b. The Issuer may conclude the process of buyback either
 - i. After the cut-off time on Offer Closing Date.
or
 - ii. On receipt of Deal Confirmations from all the investors offering all of their units for buyback (100% of amount outstanding under ISIN).

- c. Soon after closing of buyback offer, the issuer should intimate the RTA the total buyback amount offered by investors and send copies of all Deal Confirmations received from the investors to the RTA.
 - d. Issuer reports the individual buy-back transactions on Financial Market Trade Reporting and Confirmation Platform (“F-TRAC”).
- iv. Settlement Date:**
- a. Investors should transfer to the Issuer, the units offered under buyback as per secondary market conventions.
 - b. Issuer will remit the funds by EOD and extinguishes the bought back CD units in coordination with RTA and Depository.

3. Reporting Requirements:

The following reporting requirements shall be followed as specified in the Master Direction – Reserve Bank of India (Certificate of Deposit) Directions 2021

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 05.30 P.M. on the day of buyback.

4. Secondary market transactions:

Secondary market transactions shall be guided by the provisions of the Market Directions – Reserve Bank of India Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021.

5. Trade confirmation:

Physical exchange of confirmation of CD deals which are reported to and matched by CCIL is not mandatory provided there exists a bilateral / multilateral agreement to this effect with the counterparty.

Entities which have not entered into such agreements must exchange physical deal confirmations as prescribed.

6. Settlement:

In terms of Master Direction- Reserve Bank of India (Certificate of Deposit) Directions 2021, settlement cycle for OTC trades in CDs shall be T+0 or T +1. 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.

7. Default / Delay in redemption by the Issuer:

The Issuer shall ensure settlement of CD on the maturity date.

In case of default or delay due to (technical delay-RTGS / NEFT / Market Disruption) leading to non-credit of the account of the investors by the end of the day, on the date of redemption, the issuer has to compensate the investors by paying interest at MIBOR rate for the days of default / delay.

8. Holiday Convention:

FIMMDA's Handbook of Market Practices may be referred for the holiday conventions.

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ANNEXURE I

DEAL CONFIRMATION / CONTRACT NOTE

Trade Date: _____ **Value Date of:** _____
CD (Maturity Value): Rs. _____ **Due Date*:** _____
Price _____ **: Rs.** _____ **Disc. Rate:** _____ **% p a**

- ISIN Code:
- Issued By:

Amount

Validity _____ :
For Amount _____ :
Conditions (if any) _____ :

** Issuer's liability under the CD will continue beyond due date, in case the CD is not redeemed on due date, even if the CD is in demat.*

Seller of CD _____ :
Purchaser of CD _____ :

SETTLEMENT INSTRUCTIONS

- Value Date
- Funds -Please Credit To (Account Details) /Issue Pay Order FVG. For Amount Rs.
- CD -Please Deliver To (DP Account Details)
Market Conventions _____ :
FIMMDA Conventions _____ :

THE DEAL IS DONE BY

(ON BEHALF OF SELLER) _____ MR./MS.

(ON BEHALF OF PURCHASER) _____ MR./MS.

ON (TRADE DATE)

OVER PHONE / IN PERSON

(ON BEHALF OF SELLER OF CD) _____ (ON BEHALF OF PURCHSER OF CD)

**NOTE: Issuer is the Seller of CD in case of Primary Market Deal.*

ANNEXURE II

Letter to be given by the issuer to the Depository

Name of Bank / FI :

Address of Bank / FI :

Re: Certificate of Deposit ISIN Number:

We _____ hereby declare that: -

1. The Certificate of Deposit (CDs) issued is within the umbrella limit as specified by Reserve Bank of India (RBI)**.
2. The original UPN is kept with _____ (Bank/FI- issuer) with required noting. The noting is done, such that no trading would take place on the basis of the physical CD (UPN).
3. All directions/policy guidelines of RBI and all procedural and operational guidelines of Fixed Income Money Market and Derivatives Association of India (FIMMDA) for the issue of CD have been followed.
4. The Depository is authorized to extinguish CD's ISIN as a debit corporate action by debiting the demat account of the holders as per the format prescribed by the depositories (if any).

(Signature)

Date:

Name & Designation of Authorised Signatory

** Applicable in case of FIs only.

ANNEXURE III

Certificate issued by the Issuer to the First Investor

Name of Bank / FI: _____

Address:

To,

_____ **(Investor's Name)**

_____ **(Investor's Address)**

The Certificate of Deposit (CD) of Face Value Rs _____ (Units _____) with maturity date _____, bearing ISIN _____ has been credited to your Demat a/c, given below today.

1) Client ID _____ 2) DP Name _____ 3) DP ID. _____

Date:

Authorised Signatories

ANNEXURE IV

Format of Letter of Offer of Buy back of CD

- ISIN of the CD offered for Buyback : _____
- Total amount of CD outstanding under the IS/ISINs : FV
- Discount rate / period for which the CD issued : _____
- Date of Maturity of the CD offered for buyback : _____
- Amount offered for buyback : FV Rs _____ (full/partial)
- LEI no. and Validity date of the issuer : _____
- Price and yield at which buyback offered : _____
- Proposed Strat Date of offer & Time : _____
- Proposed Closing Date of offer & Time : _____ (date) by 3.00 p.m.
- Settlement Mode : T+0 or T+1
- Settlement Date : _____
- In case of T+0: Same as Closing Date of Offer
- In case of T+1: Next Business Day
after Closing Date of Offer
- Terms and conditions of the Buyback : _____
Market Conventions : FIMMDA CONVENTIONS

Details of Default of CDs, Including Technical Delay in Redemption During Past Three Years : _____

Details of Default and Delay in Redemption of Any Other Borrowings During Last Three Years

Details of Depository

Units to be transferred to

Name of RTA

DPID

CLIENT ID : _____

* Issuer's liability under the CD will continue beyond due date, in case the CD is not redeemed on due date.

Authorized Signatory of the Issuer : _____

Date : _____

Original / Authenticated copy of any document related to above information will be made available to the investors on request.

ANNEXURE V

CERTIFICATE OF DEPOSIT (CD)

DEAL CONFIRMATION / CONTRACT NOTE – BUYBACK:

Date of Buyback	
<u>Description of instrument</u>	
Issuer	
Issue Date	
ISIN	
Date of Maturity	
Total Buyback Face value	Rs.
Price	Rs.
Total Consideration	Rs.
Settlement Mode	T+0 or T+1
Settlement Date	
Name and address of RTA	
Market Conventions	FIMMDA conventions
Seller of CD	
DP name	
DP ID	
Client ID	
Purchaser of CD	
Settlement date	
Proceeds to be credited to	
Beneficiary Name	
Bank Name	
Account no	
IFSC code	
Settlement amount	Rs.
LEI No and validity date	
CDs to be transferred to	
Name of RTA	
DP Name	
DP ID	
Client ID	

THIS CONTRACT NOTE IS EXECUTED BY

(ON BEHALF OF INVESTOR OF CD)

(ON BEHALF OF ISSUER OF CD)