



## International Financial Services Centres Authority

F.No.110/IFSCA/Banking Regulation/2021-22/5

July 20, 2021

To All IFSC Banking Units (IBUs / BUs)

Dear Sir/Madam,

### **Subject: Guidelines for issuance of Certificate of Deposits.**

Certificate of Deposit (CD) is a negotiable instrument and issued in dematerialised form or as a Usance Promissory Note against funds deposited at a BU for a specified time period.

2. IBUs may issue CDs denominated in any freely convertible foreign currency.
3. Minimum amount of a CD should be USD 2500 or equivalent in any freely convertible foreign currency.
4. BUs may issue CDs to persons resident in India<sup>1</sup> and persons resident outside India<sup>2</sup> . Issuance of CDs to persons resident in India shall be subject to the provisions of the Foreign Exchange Management Act, 1999.
5. The maturity period of CDs issued by BUs should not be less than 7 days and not more than one year, from the date of issue. There shall be no lock-in period for the CDs other than the minimum maturity period.
6. IBUs may issue CDs at a discount on face value or on the basis of fixed or floating coupon rate. In case of CDs issued on floating rate basis the methodology of compiling the floating rate should be objective, transparent and market based. The BU is free to determine such discount / coupon rate.
7. IBUs have to maintain appropriate reserve requirements, i.e., Retail Deposit Reserve Ratio (RDRR) on the issue price of the CDs issued to individuals.
8. CDs may be issued in physical form or in demat form.

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<sup>1</sup> As defined in the Foreign Exchange Management Act, 1999

<sup>2</sup> As defined in the Foreign Exchange Management Act, 1999

9. CDs in physical form are freely transferable by endorsement and delivery. CDs in demat form can be transferred as per the procedure laid down by the depository.
10. IBUs shall clearly inform subscribers that the CDs issued by them are not covered by Deposit Insurance and also that the lender of Last resort (LOLR) facility is not available in IFSC.
11. IBUs shall not grant loans against CDs.
12. IBUs are permitted to buyback CDs before maturity. Buyback of CDs can be made only 7 days after the date of issue of the CD
13. Since CDs are transferable, the physical certificates may be presented for payment by the last holder. BUs shall take necessary precautions to verify the chain of transfers and make payment only by credit to the account of the presenter held with them or with another BU or with the branch of a bank outside IFSCA. In case of payment to an account held in another BU or with the branch of a bank outside IFSCA, the BU shall obtain complete details of the payee and such bank accounts and keep them on record.
14. IBUs shall provide any information/ data or statement that may be called for by the Authority
15. IBUs are directed to ensure compliance with the provisions of this circular.

Yours faithfully

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