



## CONSULTATION PAPER

### **Listing of Commercial Paper (CP) and Certificates of Deposit (CD) on the recognized stock exchanges in the IFSC**

#### **A. Objective**

1. The objective of this consultation paper is to seek comments and suggestions from the public and stakeholders on the proposed circular on listing of commercial paper (CP) and certificates of deposit (CD) on the recognised stock exchanges in the IFSC.

#### **B. Global Overview of CPs and CDs<sup>1</sup>**

##### **Size of CPs and CDs Market**

2. The size and structure of CP and CD markets vary significantly across jurisdictions:
  - a. US market is the largest with a total of USD 4.7 trillion outstanding as of the end of March 2023;
  - b. Within Europe, there is no single market for CP or CD, but rather a number of different segments across issuer domicile and currency as well as two international markets.
    - i. The London-based Euro Commercial Paper (ECP) market is the largest, estimated at around USD 1 trillion outstanding as of March 2021, around 48% of which is denominated in US dollars and 28% in Euros.
    - ii. The Negotiable European (NEU) CP market, based in Paris, is the second largest market in Europe with USD 315 billion outstanding as of end-March 2023, 85% of which is Euro-denominated.
  - c. The Japanese market has a total of USD 380 billion outstanding, and all issuance is JPY-denominated.

##### **Issuers**

3. The largest CP, and the sole CD issuers are banks. In the US CP market, as of Q1 2023 just over half of CP outstanding is issued by financial issuers, including domestic and foreign issuers such as US subsidiaries or branches of Canadian, European and Japanese banks. CD issuers include domestic banks and US subsidiaries or branches of foreign banks.

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<sup>1</sup> Report titled "Enhancing the Functioning and Resilience of Commercial Paper and Negotiable Certificates of Deposit Markets" by Financial Stability Board released on May 22, 2024 available at <https://www.fsb.org/wp-content/uploads/P060923-1.pdf>



Non-financial corporations, local governments, and public sector agencies issue CP to finance their working capital. Non-financial corporations represent a variety of sectors such as oil and gas, pharmaceuticals, technology, communications, utilities, and consumer sectors; utility firms are typically the largest issuers of CP in European markets.

Key characteristics of CP and negotiable CD issuers across markets are defined in the table given below.

Market	Issuers
UK	Euro CPs are primarily issued by foreign banks who issue sterling CP and CD to fund their sterling assets at UK subsidiaries and branches.
Japan	<p>Financial corporates account for two-thirds of CP issuance, this issuance is primarily from finance subsidiaries of non-financial corporates and leasing companies. The remaining third is issued by non-financial corporations such as resource and material industries.</p> <p>CD issuance is from deposit taking banks, including city banks, local banks and trust banks. Both CP and CD issuance is primarily denominated in Japanese Yen.</p>
US	52% of the total CP outstanding is by financial issuers, both domestic and foreign, 25% of total outstanding is ABCP, and 23% of total outstanding is by non-financial corporations as of Q1 2023. CD is issued by depository institutions, both domestic banks and US subsidiaries or branches of foreign banks.

### Investors

4. The investors are typically financial institutions such as Money Market Funds (MMFs), pension funds and insurance companies, as well as cash rich non-financial corporations. In the US, financial firms (including banks, insurance companies, security brokers and dealers, and government-sponsored enterprises) account for the largest share of CP holdings (61% of the total outstanding), while non-financial firms such as cash-rich corporations are the largest CD investors at 49% of outstanding (as of end-Q1 2023). US MMFs' share of CP investments has fallen from ~25% of CP outstanding at end-2020 to ~18% at end-Q1 2023. US MMFs' share of CD outstanding has remained fairly stable at ~4-6% of the total over the period.
5. The demand for CP and CD instruments comes from investors looking for short-term, credit-sensitive assets.



Jurisdiction	Euro Area <sup>2</sup>	Japan		US	
Investors	CD & CP	CP	CD	CP	CD
MFF	71%	23%	0%	18%	6%
Banks and Other financial institutions	23%	73%	22%	61%	35%
Non-financial firms	4%	4%	47%	15%	49%
State & local govt.	-	-	30%	6%	10%

### C. **Background**

6. IFSCA has received representations regarding introduction of new products on the recognised stock exchanges in the IFSC. Accordingly, the proposed new IFSCA (Listing) Regulations, 2024 (“Listing Regulations”) provide the regulatory framework for listing of CPs and CDs on the recognised stock exchanges in the IFSC (regulations 80 & 81).
7. Further, Regulation 130(2) of the Listing Regulations provide that the requirements under regulations 80, 81, 82 and 126 may be specified after public consultation and approval in a meeting of the Authority.
8. The listing of CPs and CDs on the exchanges would *inter alia* entail the following benefits:

*a) Products*

The introduction of new products will help in attracting investors, including foreign investors and NRIs to participate in the IFSC. CPs and CDs will provide opportunity to the investors to invest in short term instruments (less than a year) in the IFSC. This will contribute towards development of the capital market ecosystem in the IFSC.

*b) Wider Investor Base*

The listing of CPs and CDs on the stock exchanges in the IFSC will provide access to a larger and more diverse investor base. This broader reach can lead to greater demand for these products, potentially lowering the cost of borrowing for the issuer.

*c) Secondary Market*

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<sup>2</sup> This column covers part of the ECP and NEU CP



The stock exchange platform will help in secondary market trading of CPs and CDs.

*d) Increased Transparency*

Listing of CPs and CDs on the stock exchange would enhance transparency, as issuers will be required to comply with the initial and continuous disclosure requirements specified by IFSCA. The increased transparency will build credibility and trust among investors.

*e) Regulatory Oversight*

Listing of CPs and CDs in the IFSC will be under the regulatory oversight of IFSCA, providing additional protection to investors. This can lead to higher investor confidence and greater market participation.

9. Globally, the international stock exchanges in some jurisdictions permit listing and trading of CPs and CDs. Further, SEBI has also permitted listing of Commercial Paper on the stock exchanges in India.
10. The objective of the proposed circular is to specify regulatory requirements for facilitating issuers to issue CPs and CDs in a more efficient and transparent manner ensuring that adequate material information is made available to the investors for making informed decision.

**D. Public Comments**

11. Comments and suggestions from public and stakeholder are invited on the draft circular on listing of Commercial Paper and Certificates of Deposit on the recognized stock exchange in IFSC placed at **Annexure 1**.
12. Comments may be sent by email to Mr. Abhineet Panwar, Assistant Manager, IFSCA at [abhineet.panwar@ifsc.gov.in](mailto:abhineet.panwar@ifsc.gov.in) with a copy to Mr. Shubham Goyal, Assistant General Manager at [goyal.shubham@ifsc.gov.in](mailto:goyal.shubham@ifsc.gov.in) and Mr. Arjun Prasad, General Manager, IFSCA at [arjun.pd@ifsc.gov.in](mailto:arjun.pd@ifsc.gov.in) latest by September 17, 2024.
13. The comments may be provided in the following format (MS Word or MS Excel only):

<p><b>Name and Details of the Person / Entity</b></p> <p><b>[Organisation name (if applicable), Contact No., Email address]</b></p>
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<b>Sr. No.</b>	<b>Paragraph No.</b>	<b>Comments/Suggestions</b>	<b>Detailed rationale</b>	<b>Other supporting Information</b>



## **Annexure 1**

### **DRAFT CIRCULAR**

**F. No. ....**

**Sept \_\_, 2024**

**To**  
**All Market Infrastructure Institutions in the IFSC**  
**All IFSC Banking Units in the IFSC**

Madam/Sir,

**Sub: Listing of Commercial Paper and Certificates of Deposit on the recognised stock exchanges in the IFSC**

1. The IFSCA (Listing) Regulations, 2024 (“Listing Regulations”) provide the regulatory framework for listing of securities and other permitted financial products on the recognised stock exchanges in the IFSC. Regulations 80 and 81 of the Listing Regulations enable listing of Commercial Paper and Certificates of Deposit respectively in such manner and subject to such conditions as may be specified by IFSCA (“the Authority”).
2. Accordingly, listing of Commercial Paper and Certificates of Deposit on the recognised stock exchanges in the IFSC shall be in accordance with the requirements specified in this circular.

#### **A. Commercial Paper**

##### **Eligible Issuers**

3. An issuer meeting the eligibility criteria provided under Chapter II of the IFSCA (Listing) Regulations, 2024 shall be eligible to list commercial paper (“CP”) on a recognised stock exchange in the IFSC:



*Provided that* an issuer being a person resident in India<sup>3</sup> is not eligible to issue a CP in terms of the framework on 'External Commercial Borrowings' specified by Reserve Bank of India under the provisions of the Foreign Exchange Management Act, 1999.

### **Conditions**

4. *Depository:* The issuer shall ensure that the CP listed on a recognised stock exchange in the IFSC is in demat form and held with a recognised depository in the IFSC or an international central securities depository.
5. *Maturity:* The issuer shall ensure that the maturity of the CP proposed to be listed on a recognised stock exchange in the IFSC is not less than seven days and not more than one year.
6. *Currency:* The issuer shall ensure that the CP is issued in a currency as permitted under regulation 8 of the Listing Regulations.
7. *Other conditions:*
  - a. CP shall be issued at a discount to face value.
  - b. The issuance of a CP with options (call/put) is not permitted.
  - c. The issuance of a CP is not permitted to be underwritten or co-accepted.

### **Eligible Investors**

8. The issuer may issue a CP to a person resident in India or to a person resident outside India<sup>4</sup>:

*Provided that* such issuance shall be in compliance with the applicable provisions of the Foreign Exchange Management Act, 1999 and Rules and Regulations made thereunder.

### **Listing Application**

9. An issuer desirous of listing its CP on a recognised stock exchange shall file the listing application along with a copy of offer document or information memorandum, as applicable, with the recognised stock exchange in accordance with the requirements

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<sup>3</sup> As defined in the Foreign Exchange Management Act, 1999

<sup>4</sup> As defined in the Foreign Exchange Management Act, 1999



specified by the exchange. The application shall be accompanied with regulatory fee of USD One thousand. The regulatory fees received by the stock exchange shall be remitted to the Authority.

*Explanation:* The issuer may choose to list CP as a standalone issue or through series of issuances. The issuer shall be required to file an information document at the time of listing of CP at every issue along with the said regulatory fee.

### **Initial Disclosures**

10. The offer document or information memorandum, as applicable, shall contain all material disclosures which are true, correct and adequate to enable the investors to take an informed investment decision.

11. The issuer shall ensure that the following disclosures are made in the offer document or information memorandum:

#### **A. Issuer Disclosures:**

- i. General information
- ii. Risk Factors
- iii. Information about the issuer
- iv. Business description
- v. Organisational structure
- vi. Management
- vii. Major / controlling shareholders
- viii. Audited Financial Statements
- ix. Details of borrowings of the company
- x. Statutory auditor
- xi. Material outstanding litigations
- xii. Defaults

*Explanation:* The issuer shall provide details of all material default(s) and/ or delay in payments of interest and principal in the past 5 financial years.

- xiii. Other material events

*Explanation:* The issuer shall provide details of all material events or developments that may have implications on the financials or credit quality which may affect the issue or the investor's decision to invest in the CP.





**B. Issue related disclosures:**

- i. Terms relating to issue of CP
- ii. Use of proceeds
- iii. List of exchanges where the CP is listed or proposed to be listed
- iv. Details of credit rating (if obtained)
- v. CP borrowing limit along with supporting board resolution
- vi. Details of all CPs issued during the last 12 months
- vii. Details of credit support/ enhancement (if any)

**Continuous Disclosures**

12. The issuer having outstanding listed CP shall disclose the audited financial statements for the full financial year to the recognised stock exchange(s) immediately after the approval of its board of directors, but in any event not later than three months of the end of financial year:

*Explanation:* The issuer shall prepare its financial statements in accordance with IFRS or US GAAP or Ind AS or other accounting standards as applicable in its home jurisdiction:

Provided that an issuer preparing financial statements as per the accounting standards of its home jurisdiction (other than IFRS, US GAAP and Ind AS) shall be required to reconcile the same with IFRS.

13. The issuer shall immediately disclose to the recognised stock exchange(s) all events which are material or price sensitive.

14. The issuer shall immediately disclose to the recognised stock exchange(s) the following events:

- a. Details such as expected default/ delay/ default in timely fulfilment of its payment obligations for any of the debt instruments issued by the issuer; and
- b. Any material event or development or action that may adversely affect fulfilment of its payment obligations in respect of the CP.

*Explanation:* For the purpose of this circular, immediately shall mean promptly but not later than twenty four hours.

15. The issuer shall immediately disclose to the recognised stock exchange any revision in the credit rating of the CP.



## **Buyback**

16. The issuer shall ensure that any buyback of a CP shall be in compliance with the following requirements:

- a. The buyback of a CP, in full or part, shall be at the prevailing market price.
- b. The buyback offer shall be extended to all investors in the CP issue. The terms of the buyback should be identical for all investors in the issue.
- c. The buyback offer may not be made before 30 days from the date of issue.
- d. The CP bought back shall stand extinguished.

## **B. Certificates of Deposit**

### **Eligible Issuers**

17. An IFSC Banking Unit licensed by the Authority shall be eligible to list its CD on a recognised stock exchange in the IFSC. The issuance of CD shall be in accordance with the IFSCA (Banking) Regulations, 2020 and the IFSCA Banking Handbook issued by the Authority from time to time.

### **Conditions**

18. *Depository:* The issuer shall ensure that the CD listed on a recognised stock exchange in the IFSC is in demat form and held with a recognised depository in the IFSC or an international central securities depository.

### **Listing Application**

19. An issuer desirous of listing its CD on a recognised stock exchange shall file the listing application along with a copy of the offer document or information memorandum, as applicable, with the recognised stock exchange in accordance with the requirements specified by the exchange. The application shall be accompanied with regulatory fee of USD One thousand. The regulatory fees received by the stock exchange shall be remitted to the Authority.

*Explanation:* The issuer may choose to list CD as a standalone issue or through series of issuances. The issuer shall be required to file an information document at the time of listing of CD at every issue along with the said regulatory fee.



## **Initial Disclosures**

20. The offer document or information memorandum, as applicable, shall contain all material disclosures which are true, correct and adequate to enable the investors to take an informed investment decision.

21. The issuer shall ensure that the following disclosures are made in the offer document or information memorandum:

A. Issuer Disclosures:

- i. General information
- ii. A brief description of the parent bank and the IBU's business activities.
- iii. Information about the statutory Auditor
- iv. Defaults

*Explanation:* The issuer shall provide details of all material default(s) and/ or delay in payments of interest and principal in the past 5 financial years.

v. Other material events

*Explanation:* The issuer shall provide details of all material events or developments that may have implications on the financials or credit quality which may affect the issue or the investor's decision to invest in the CD.

B. Issue related disclosures:

- i. Terms relating to issue of CD
- ii. Use of proceeds
- iii. List of exchanges where the CD is listed or proposed to be listed
- iv. Details of all Certificates of Deposit issued during the last 12 months

## **Continuous Disclosures**

22. The issuer shall immediately disclose to the recognised stock exchange(s) the following events:

- a. Details such as expected default/ delay/ default in timely fulfilment of its payment obligations of any CD or any of the debt instrument issued by the issuer; and
- b. Any material event or development or action that may adversely affect fulfilment of its payment obligations in respects of the CD.



### C. Miscellaneous

23. The recognised stock exchanges shall put in place necessary systems and procedures for listing and trading of CPs and CDs.

24. The recognised depository shall put in place necessary systems and procedures for dematerialisation of CPs and CDs.

The circular is issued in exercise of powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 and regulation 130 of the IFSCA (Listing) Regulations, 2024 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.

A copy of the circular is available on the website at [www.ifsc.gov.in](http://www.ifsc.gov.in)

Yours Faithfully,

**Arjun Prasad**