



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in



RBI/2009-10/287

DBOD.BP.BC.No. 69 / 21.01.002/ 2009-10

January 13, 2010

All Commercial Banks
(excluding RRBs)

Dear Sir,

Retail Issue of Subordinated Debt for Raising Tier II Capital

Please refer to our circular [DBOD.No.BP.BC. 38 /21.01.002/2009-10](#) September 7, 2009 on 'Issue of Subordinated Debt for Raising Tier II Capital'.

2. Some banks have indicated that they would like to issue subordinated debt to retail investors. With a view to enhancing investor education relating to risk characteristics of regulatory capital instruments, banks issuing subordinated debt to retail investors are advised to adhere to the following conditions:

a) The requirement for specific sign-off as quoted below, from the investors for having understood the features and risks of the instrument may be incorporated in the common application form of the proposed debt issue.

" By making this application, I/We acknowledge that I/We have understood the terms and conditions of the Issue of [insert the name of the instruments being issued] of [Name of The Bank] as disclosed in the Draft Shelf Prospectus, Shelf Prospectus and Tranche Document ".

b) For floating rate instruments, banks should not use its Fixed Deposit rate as benchmark.

c) All the publicity material, application form and other communication with the investor should clearly state in bold letters (with font size 14) how a subordinated bond is different from fixed deposit particularly that it is not covered by deposit insurance.

3. The guidelines contained in this circular would be applicable with immediate effect.

Yours faithfully

(B. Mahapatra)
Chief General Manager