

Operational guideline of Certificate of Deposit Issuance on Floating Rate Basis

- Certificate of Deposit is a money market instrument issued at a discount to the face value. However Floating Rate CDs are to be issued at par (i.e., Rs. 100) with a floating rate coupon and not as a discounted instrument.
- Floating rate will be linked to a transparent market benchmark published by FIBIL or approved by FIMMDA e.g. MIBOR and with/ without a pre-agreed Spread over the benchmark.
- However individual Banks(issuers) who propose to issue CDs on floating rate are free to choose the benchmark rate and spread over the specific Benchmark. 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. Hence 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. Decision of mode of compounding will be at the discretion of the issuer.

Compounding only the benchmark / compounding both benchmark and spread are prevalent. It is proposed for a uniform practice that compounding of both Benchmark and spread be applicable.

- Interest rate on floating rate CDs would have to be reset periodically as may be decided on mutually agreed terms and general market conventions.
- **Redemption** - 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.
- **Process of Redemption** -Same as applicable for a Discounted CD.
- **Reporting**- All issuances and redemption need to be reported on F-Trac and there exist provisions for reporting of floating rate CDs.
- **Buyback**: Same as applicable for a Discounted CD.