

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:883
ANSWERED ON:25.02.2011
RBI ON NON CONVERTIBLE DEBENTURES
Reddy Shri Magunta Srinivasulu

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has directed banks not to invest in non-convertible debenture of corporates unless they disclose the purpose for which the funds are being raised; and

(b) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Reserve Bank of India has, vide their circular dated 31.12.2010 on 'Investment in Non-Statutory Liquidity Ratio (SLR) Securities - Non-Convertible Debentures (NCDs) of maturity upto one year', permitted the banks to invest in NCDs with original or initial maturity upto one year issued by corporates including Non-Banking Finance Companies. However, while investing in such instruments banks should be guided by the extant prudential guidelines in force and ensure that the issuer has disclosed the purpose for which the NCDs are being issued in the disclosure document and such purposes are eligible for bank finance.