



Annex-II

Guidelines on issuance of Debt Capital Instruments

A. Perpetual Debt Instrument (PDI) eligible for inclusion in Tier-I Capital

RCBs may issue Perpetual Debt Instruments (PDI) as bonds or debentures to their members or any other person residing within their area of operation, with the prior approval of RBI. The RCBs shall submit the application seeking permission, together with the Prospectus / Offer Document / Information Memorandum to the concerned Regional Office of the RBI. A certificate from a Chartered Accountant to the effect that the terms of the offer document are in compliance with these instructions shall also be submitted along with the application. The amounts raised through PDI shall comply with the following terms and conditions to qualify for inclusion as Tier-I capital.

2. Terms of Issue

2.1 Limit

The amount of PDI reckoned for Tier-I capital shall not exceed 15 per cent of total Tier-I capital². The outstanding Innovative Perpetual Debt Instruments (IPDI)³ shall also be covered in the aforementioned ceiling of 15 per cent and reckoned for capital purposes as hitherto. The eligible amount shall be computed with reference to the amount of Tier-I capital as on March 31 of the previous year, after deduction of goodwill, DTA and other intangible assets, but before deduction of equity investment in subsidiaries, if any. PDI in excess of the above limits shall be eligible for inclusion under Tier-II capital, subject to the limits prescribed for Tier-II capital. However, investors' rights and obligations would remain unchanged.

2.2 Amount

The amount of PDI to be raised may be decided by the Board of Directors of banks.

2.3 Maturity

These instruments shall be perpetual.

2.4 Options

2.4.1 The PDI shall not be issued with a 'put option' or 'step-up' option.

2.4.2 However, PDI may be issued with a call option subject to following conditions:

² Reference is invited to para 2.1 of Annex 1 as per which the outstanding amount of PNCPS and Perpetual Debt Instruments (PDI) along with outstanding Innovative Perpetual Debt Instruments (IPDI) shall not exceed 35 per cent of total Tier-I capital at any point of time.

³ Issued in terms of [circular RPCD.RCB.BC.73/07.51.012/2013-14 dated January 07, 2014](#) on Application of Minimum Capital Adequacy Norms to State and Central Cooperative Banks (StCBs / CCBs).