

	COMMERCIAL PAPER
1	What is the Definition of Commercial Paper ? or What is Commercial Paper in India ? or what is CP ? We can define Commercial Paper (CP) as an "unsecured money market instrument issued in the form of a promissory note". These are not usually backed by any form of collaterals and is allowed to be issued only by corporate with high quality debt ratings.
2	When was Commercial Paper introduced in India and What is the Commercial Paper used for in India ? Commercial Paper were introduced in India in 1990 with a view to enable high rated corporate borrowers to raise short term borrowings by this additional type of instrument which was till that time was not available in India. However, later on other players like All India Financial Institutions and Primary Dealers too were allowed to issue Commercial Papers for meeting their short term funding requirements
3	Who are allowed to invest in Commercial Paper? The following are allowed to invest in CPs : (a) Individuals, (b) banking companies, (c) other corporate bodies (registered or incorporated in India) and unincorporated bodies, (d) Non-Resident Indians (NRIs) and (e) Foreign Institutional Investors (FIIs) etc. However, investment by FIIs would be within the limits set for them by SEBI
4	What is the minimum and maximum period for which Commercial Paper can be issued? In what denominations Commercial Paper can be issued? Commercial Paper in India can be issued for maturities between 7 days (minimum) and up to one year (maximum) from the date of issue. Moreover, the maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid. These can be issued in denominations of Rs.5 lakh or multiples thereof. These can at present be issued either in as promissory note (Schedule I given in the Master Circular-Guidelines for Issue of Commercial Paper by RBI) or in a dematerialised (i.e. dmat) form through any of the depositories approved by and registered with SEBI. However, Banks, FIs and PDs can hold CP only in dematerialised form. (World wide Commercial Paper are issued from 1 day to 270 days
5	Who can issue Commercial Paper in India? What are the eligibility conditions for issuing Commercial Papers? In India, the following can issue Commercial Paper : (a) Corporates; (b) Primary Dealers (also called PDs) and the All-India Financial Institutions (FIs) are eligible to issue CP. However, for issuing Commercial Paper, a corporate is allowed to issue CP provided :-

	a. the tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs. 4 crore b. company has been sanctioned working capital limit by bank/s or all-India financial institution/s; and c. the borrowal account of the company is classified as a Standard Asset by the financing bank/s/ institution/s.
6	What are the rating requirement for issuance of Commercial Paper? The eligible participants needs to obtain the credit rating for issuance of CP either from CRISIL or ICRA) or CARE or FITCH or any other credit rating agency (CRA) that may be specified by RBI. The minimum credit rating shall be A-2 as per SEBI guidelines. The issuers also needs to ensure that at the time of issuance of Commercial Paper the rating so obtained is current and has not fallen due for review.
7	What are the limit up to which Commercial Paper can be issued? The aggregate amount of CP from an issuer shall be within the limit as approved by its Board of Directors or the quantum indicated by the Credit Rating Agency for the specified rating, whichever is lower. As regards FIs, they can issue CP within the overall umbrella limit prescribed in the Master Circular on Resource Raising Norms for FIs, issued by DBOD and updated from time-to-time.
8	Commercial Paper Issues remain open for how long ? Whether the same can be issued on different dates ? In terms of the guidelines, the total amount of commercial paper that is proposed to be issued needs to be raised within a period of two weeks from the date on which the issuer opened the issue for subscription. However, CPs can be issued on a single date or in parts on different dates provided each CP has the same maturity date.
9	Who are allowed to act as Issuing and Paying Agent (IPA)? Any scheduled bank can act as an IPA for issuance of commercial papers.
10	Whether CP can be underwritten? No issuer shall have the issue of CP underwritten or co-accepted.
11	Whether CPs are traded in the secondary market? Commercial Papers are actively traded in the Over The Counter (OTC) market. However, such transactions needs to be reported on the FIMMDA reporting platform within 15 minutes of the trade to have greater transparency.
12	What is the mode of redemption? Initially the investor in CP is required to pay only the discounted value of the CP by means of a crossed account payee cheque to the account of the issuer through IPA. On maturity of CP, (a) when the CP is held in physical form, the holder of the CP shall present the instrument for payment to the issuer through the IPA. (b) when the CP is held in demat form, the holder of the CP will have to get it redeemed through the depository and receive payment from the IPA.

13	Whether Stand by facility is required to be provided by the bankers/FIs for Commercial Paper issues? Commercial Paper is a `stand alone' product, and thus it is not obligatory in any manner on the part of banks and FIs to provide stand-by facility to the issuers of Commercial Paper. However, Banks and FIs have the flexibility to provide for a commercial paper issue, credit enhancement by way of stand-by assistance/credit backstop facility, etc.
14	Whether non-bank entities/corporates can provide guarantee for credit enhancement of the CP issue? Yes. Non-bank entities including corporates can also provide unconditional and irrevocable guarantee for credit enhancement for CP issue provided : (i) the issuer fulfils the eligibility criteria prescribed for issuance of CP; (ii) the guarantor has a credit rating at least one notch higher than the issuer by an approved credit rating agency and (iii) the offer document for CP properly discloses: the networth of the guarantor company, the names of the companies to which the guarantor has issued similar guarantees, the extent of the guarantees offered by the guarantor company, and the conditions under which the guarantee will be invoked.