



ROYAL MONETARY AUTHORITY OF BHUTAN

Guidelines on Issuance of Certificate of Deposits

a) Rationale

Management of domestic liquidity has always been a cornerstone for effective financial intermediation process. In order to encourage channelizing short term liquidity from surplus to deficient sources quickly, adequately and at a reasonable cost, it is important for the financial sector to develop a vibrant and desirable domestic money market in Bhutan. Access to effective and diversified financial instruments such as MMIs will assist financial institutions to improve funding sources and liquidity management, while at the same time providing domestic investors with wider investment choices. More importantly, development of short term debt market is a step towards promoting capital market in the country which will provide a benchmark or reference interest rate for short term funds. To initiate the process of developing short term inter-financial institutions lending, the RMA formulated the MMI guideline to enable the financial institutions to issue and trade in Certificate of Deposits.

b) Definition of Certificate of Deposits

The Certificate of Deposits (CDs) are negotiable money market instrument issued against funds raised by the commercial banks as deposits with a tenor not more than one year.

c) Legal Framework

In exercise of the powers conferred by Section 362 of the Financial Services Act of Bhutan 2011, the Royal Monetary Authority of Bhutan (RMA) hereby issues the

guidelines on Certificate of Deposits(CD) which will be effective from 03 January 2017. The above guideline on CD was approved by the RMA Board during its 119th meeting held on 23 November 2016.

d) General Terms and Conditions for issuance of Certificate of Deposits

Issuance of Certificate of Deposits shall be governed by the following terms and conditions.

1. Eligibility

CDs can be issued only by the commercial banks to raise short-term resources for meeting their day-to-day liquidity management purposes.

2. Aggregate Amount

Commercial banks may issue CDs to the extent of their short term funding requirements.

3. Minimum Size of Issue and Denominations

Minimum amount of a CD shall not be less than Nu.100,000.00 and must be in multiples of Nu.100,000.00 thereafter.

4. Eligible Investors

CDs can be subscribed by individuals, corporations, companies (including banks and non bank financial institutions), trusts and associations, etc.

5. Discount / Coupon Rate

CDs may be issued at a discount or on coupon rate.

6. Reserve Requirements

The commercial banks have to maintain appropriate reserve requirements for issuance of CDs, i.e., the issuance of CD is subject to Cash Reserve Requirement (CRR).

7. Procedure for Issuance

7.1. The Issuer must approach the RMA for issuance of CD for approval (**refer to annexure for application form**).

7.2. The Issuer shall get into agreement on the modalities with the RSEB for the issuance of the CD.

7.3. The CD shall be issued in dematerialized form.

8. Trading and Settlement of CD

8.1. Trading and settlement of CDs are managed by the RSEB

8.2. The RSEB shall intimate to the RMA, the amount of CD issued, accompanied by both settlement and subscribers details.

9. Transferability

CDs are tradable through the facilities of RSEB.

10. Loans /Buy-backs

Commercial banks cannot grant loans against their own CDs and buy-back before maturity shall be permitted only through the facility of the RSEB. The RSEB shall intimate to RMA of the buyback undertaken.

e) Review and Monitoring

The RMA shall review and monitor from time to time the eligibility conditions to issue and trade in CDs depending on the circumstances and market conditions.

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a series of loops and a long horizontal stroke extending to the right.



ROYAL MONETARY AUTHORITY OF BHUTAN

APPLICATION FOR ISSUANCE OF CERTIFICATE OF DEPOSITS

The Hon'ble Governor
Royal Monetary Authority of Bhutan
Thimphu

Subject: Approval for Issuance of Certificate of Deposits

Dear Sir,

We would like to seek approval for the issuance of Certificate of Deposits as per the details provided below:

Serial No:.....
Days to Maturity:.....
Quantity/Amount:.....
Date of Issue:.....

Terms and Conditions (*Check List*)

1. Maximum Maturity of the Instrument:

1.1: Not more than 90 Days

☐

1.2: Above 90 Days

☐

2. Additional Requirements:

The Instrument is in the denominations of Nu. 100,000/ with multiples of.....
with total face value of Nu.....

HEAD OF THE COMPANY (Seal and Sign of Issuer)

✓

Approval Form *(to be filled by RMA)*

- 1) The CD Issuance Registration No:.....
- 2) Name of the Commercial Bank:.....
- 3) Date of Issue:.....
- 4) Total face value of Issue:.....
- 5) Date of maturity:.....

Approved ☐

Not approved ☐

Official Seal

(Approving Authorized Authority)

