



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI/2011-12/623

IDMD.PCD.No.4896/14.03.05/2011-12

June 27, 2012

All Standalone Primary Dealers

Dear Sir/Madam,

**Phasing out Tier-III capital for standalone Primary Dealers (PDs)**

Please refer to paras 2 and 2.3 of the [Master Circular IDMD.PDRD.02/03.64.00/2011-12 dated July 1, 2011](#) wherein standalone PDs are allowed to raise capital through issuance of short term subordinated debt (Tier –III capital) to meet capital charge for market risk.

2. The guidelines have since been reviewed and it has been decided to phase out short term subordinated debt (Tier-III bonds) as an eligible source of capital for standalone PDs.
3. Accordingly, PDs should not raise fresh funds through issuance of Tier-III bonds with effect from July 1, 2012.
4. However, PDs which are already having Tier-III capital may continue to recognise it as an eligible capital till the maturity of such subordinated debts.

Yours faithfully,

(K.K. Vohra)  
Chief General Manager