

NHB (ND)/DRS/Pol-No. 53/2012-13  
October 26, 2012



All registered HFCs not accepting/holding public deposits,  
and having asset size of Rs 100 crore and above,

Dear Sirs,

**Participation of HFCs in Ready Forward Contracts in Corporate Debt Securities**

The Reserve Bank of India, vide Notification No. IDMD.DOD.04/11.08.38/2009-10 dated January 8, 2010 has issued 'Repo in Corporate Debt Securities (Reserve Bank) Directions, 2010' to introduce repo in corporate bonds. The said Directions have been modified vide notification No. IDMD.PCD 21/11.08.38/2010-11 dated November 9, 2010 by the 'Repo in Corporate Debt Securities (Amendment) Directions, 2010'.

2. The said Directions, inter alia, enable housing finance companies to participate in "repo transactions" in corporate debt securities subject to the approval of the National Housing Bank.

3. It has been decided that Housing Finance Companies (HFCs) not accepting/holding public deposits, having asset size of Rs 100 crore and above and registered with the National Housing Bank can participate in repo transactions in corporate debt securities as per the Directions/Guidelines issued by the Reserve Bank of India from time to time, subject to the following conditions:

**Capital Adequacy**

a. Risk weights for credit risk for assets that are the collateral for such transactions as well as risk weights for the counterparty credit risk shall be as applicable to the issuer / counterparty in the Housing Finance Companies (NHB) Directions, 2010, as amended from time to time.

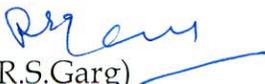
**Classification of balances in the accounts**

b. Classification of balances in the various accounts viz., repo account, reverse repo account etc. shall be done in the relevant schedules similar to that of banks.

4. It may be mentioned that the Reserve Bank of India has also issued revised Guidelines for Accounting of Repo/Reverse Repo Transactions vide its Circular IDMD/4135/11.08.43/2009-10 dated March 23, 2010.

5. Please acknowledge receipt.

Yours faithfully,

  
(R.S.Garg)  
Executive Director

भारतीय रिजर्व बैंक के संपूर्ण स्वामित्व में  
कोर 5-ए, चतुर्थ तल, इंडिया हैबिटेट सेंटर, लोधी रोड, नई दिल्ली-110003  
दूरभाष नं. पी. बी. एक्स-011-2464 9031-35 फैक्स : 011-2464 6988, 2464 9041  
वेबसाइट : www.nhb.org.in ई-मेल : ho@nhb.org.in तार निवास बैंक

Wholly owned by Reserve Bank of India  
Core 5-A, 4th Floor, India Habitat Centre, Lodhi Road, New Delhi-110003  
Phone : PBX 011-2464 9031-35 Fax : 011-2464 6988, 2464 9041  
Website : www.nhb.org.in E-mail : ho@nhb.org.in Gram : NIWAS Bank

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