

BHARAT SCHOOL OF BANKING

CALL-NOTICE-TERM MONEY, CERTIFICATE OF DEPOSITS, COMMERCIAL PAPERS, ICD

Money Market Instruments (other than **government** issued)

1. **Call, Notice, Term Money**

This is a method by which **banks** lend or borrow money **from each other** to maintain their **daily needs**. Note that no **collateral** security is needed, but **interest** need to be paid.

Call Money - deals in **overnight (1 day) funds**

Notice Money - deals in funds for **2 to 14 days**

Term Money - deals in funds for **15 days - 1 year**

Note that this is **completely** used in **Inter-bank** market. Eligible **participants** are -

- Scheduled Commercial Banks (SCBs), excluding RRBs
- Co-operative Banks, other than Land Development Banks
- Primary Dealers (PDs)

2. **Certificates of Deposit (CD)**

CDs are **certificates** issued by **banks** or other **financial institutions** (need to be qualified before issuing) to the general **public**, to **raise short-term resources** within the **umbrella limit**.

In the form of - Dematerialized (through **Demat account**) or **Usance Promissory Notes**

Issuer - Scheduled Commercial Banks (excluding RRBs), permit-granted Financial Institutions (FIs)

Issued to - individuals, corporations, companies (including banks), trusts, etc.

Maturity - **Bank CDs (7 days - 1 year)** and **FI CDs (1 - 3 years)**

Minimum size - Minimum amount of CD is **Rs. 1 lakh**, and multiple thereof

3. **Commercial Papers (CP)**

CPs are **unsecured** instrument issued in the form of a **promissory note** (refer to my previous post to know more), that are issued by **corporates**.

In the form of - **Promissory Notes**

Issuer - Corporates, Primary Dealers (PDs), Financial Institutions (FIs). Note that all the **corporates** are not eligible for issuing **CPs**. They need a **good rating** (generally '**A-2'**', refer **SEBI**) from either **rating agencies** - **CRISIL, ICRA, CARE, FITCH Ratings India Pvt. Ltd**, etc.

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Issued to - Individuals, banks, other corporates, NRI, FII (need SEBI approval)

Maturity - 7 days to 1 year

Minimum size - Minimum amount of CP is **Rs. 5 lakh** and multiple thereof

4. **Inter-Corporate Deposits (ICD)**

These are issued by one **corporate** to other for their money requirements. You can think ICDs as analogous to **Inter-bank** deposits (call money, notice money, term money).