AMFI

Association of Mutual Funds in India

135/ BP/ 41/ 2013-14 September 19, 2013

To All members

Dear Sir / Madam,

Sub : AMFI Best Practice Guidelines Circular No. 41/ 2013-14 – Valuation of Securities with residual maturity up to 60 days

This has reference to AMFI Best Practice Guidelines Circular No. 135/BP/29/2012-13 dated May 15, 2012. Paragraph 3 of the aforesaid circular states as under :

"3. Instruments maturing up to 91 days (60 days from 30 Sep 2012)
Instruments may be valued by amortisation on a straight-line basis to maturity from cost or last valuation price whichever is more recent. However the AMCs should ensure that the amortised price is reflective of fair value by comparing it to the reference price."

Sovereign securities (including T-Bills) with residual maturity up to 60 days are currently valued on the basis of the prices obtained from the AMFI approved agencies viz. CRISIL & ICRA.

In order to bring uniformity in the valuation methodology of all debt and money market securities with residual maturity up to 60 days, AMFI Valuation Committee has recommended to apply the valuation methodology outlined in paragraph 3 of the above circular for sovereign securities (including T-Bills) with residual maturity up to 60 days i.e. For sovereign securities with residual maturity up to 60 days, the amortized price may be used for valuation as long as it is within ±10 basis points (bps) (±0.10%) of the reference price. In case the variance exceeds ±10 bps of the reference price, the valuation shall be adjusted to bring it within the ±10 bps band."

This is for your information and necessary action.

With Regards,

V Ramesh
Dy Chief Executive