



ASSOCIATION OF MUTUAL FUNDS IN INDIA

135 / BP/ 71 / 2017-18

March 23, 2018

Dear Members,

AMFI Best Practice Guidelines Circular No. 71 /2017-18
Guidelines for Accounting of Borrowing Cost by Mutual Funds

As per Regulation 44 (2) of SEBI (Mutual Funds) Regulations, 1996, mutual funds may borrow only to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of dividend etc. As there was lack of uniformity in respect of the accounting of borrowing cost by different fund houses, the Board of AMFI felt that it was expedient to bring in uniformity in this regard through AMFI Best Practice guideline.

Accordingly, the matter was discussed by AMFI's Valuation Committee and the committee has recommended that cost of borrowing made to manage redemptions, to the extent of YTM / running yield of the fund as on previous day, should be charged to the scheme and any excess cost over YTM / running yield of the previous day may be borne by the AMC, and in case of any reversal subsequently, the same should be disclosed separately.

The above recommendation was approved by the Board of AMFI at the Board Meeting held on March 14, 2018 as a Best Practice Guidelines for uniform adoption by all members in respect of Liquid Funds.

Members are requested to adopt the above best practice guidelines with immediate effect in respect of Liquid Funds. Members are also requested to place this circular before their Trustees for information at the next meeting of the Trustees.

With regards,

N. S. Venkatesh
Chief Executive