

SEBI/HO/IMD/IMD-I PoD-1/P/CIR/2024/163

November 26, 2024

To,
All Mutual Funds
All Asset Management Companies (AMCs)
All Trustee Companies / Boards of Trustees of Mutual Funds
Association of Mutual Funds in India (AMFI)

Sir/ Madam,

Subject: Valuation of repurchase (repo) transactions by Mutual Funds.

1. Chapter 9 of the SEBI Master Circular dated June 27, 2024 on Mutual Funds ("Master Circular"), which specifies the provisions for valuation of investment in securities by Mutual Funds, *inter alia* mandate that money market and debt securities with residual maturity over 30 days shall be valued as per the prices obtained from the Association of Mutual Funds in India (AMFI) empanelled valuation agencies and the methodology specified therein.
2. Clause 9.6.2 of the Master Circular specifies that investments in short-term deposits with banks (pending deployment) and repurchase (repo) transactions (including tri-party repo i.e. TREPS) with tenor of upto 30 days shall be valued on cost plus accrual basis.
3. In order to have uniformity in valuation methodology of all money market and debt instruments and to address the concerns of unintended regulatory arbitrage that may arise due to different valuation methodology adopted, it has been decided that the valuation of repurchase (repo) transactions including TREPS with tenor of upto 30 days shall also be valued at mark to market basis. Accordingly, clause 9.6.2 of the Master Circular stands modified as under:

"Investments in short-term deposits with banks (pending deployment) shall be valued on cost plus accrual basis."
4. Further, valuation of all repo transactions, except for overnight repos, in addition to the valuation of money market and debt securities, shall be obtained from valuation agencies. Accordingly, paragraph 9.2.3 (b) of the Master Circular stands modified as under:

“Valuation of money market and debt securities:

1. *All money market and debt securities including floating rate securities shall be valued at average of security level prices obtained from valuation agencies.*
 2. *In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued at purchase yield/price on the date of allotment / purchase.”*
5. The provisions of this circular shall come into effect from January 01, 2025.
6. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provision of Regulations 25(19), 47 and 77 of SEBI (Mutual Funds) Regulations, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
7. This Circular is available at www.sebi.gov.in under the link “Legal --- Circulars”.

Yours faithfully,

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