



CIRCULAR

SEBI/HO/IMD/DF3/CIR/P/2020/70

April 23, 2020

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

Sir / Madam,

Sub: Review of provisions of the circular dated September 24, 2019 issued under SEBI (Mutual Funds) Regulations, 1996 due to the COVID - 19 pandemic and moratorium permitted by RBI.

1. Currently, Valuation agencies appointed by AMFI recognize default of security in terms of Clause 5.1.1.2 and 9.1.2 of SEBI circular dated September 24, 2019
2. In view of the nationwide lockdown and the three-month moratorium/ deferment on payment permitted by RBI, a differentiation in treatment of default, on a case to case basis, needs to be made as to whether such default occurred solely due to the lockdown or loan moratorium.
3. Accordingly, based on assessment, if the valuation agencies appointed by AMFI are of the view that the delay in payment of interest/principal or extension of maturity of a security by the issuer has arisen solely due to COVID-19 pandemic lockdown and/or in light of the moratorium permitted by Reserve Bank of India (RBI) (vide notification no. RBI/2019-20/186, dated March 27, 2020) creating temporary operational challenges in servicing debt, then valuation agencies may not consider the same as a default for the purpose of valuation of money market or debt securities held by Mutual Funds.



4. However, in the scenario as stated above, if there is any difference in the valuation of securities provided by two valuation agencies, the conservative valuation shall be accepted.
5. The above modification to our circular dated September 24, 2019 shall be in force till the period of moratorium by the RBI as referred above.
6. However, as per the Principles of Fair Valuation specified in Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, and other circulars issued, AMCs shall continue to be responsible for true and fairness of valuation of securities.
7. 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 Regulation 77 of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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