

CIRCULAR

SEBI/HO/IMD/DF4/P/CIR/2021/593

July 09, 2021

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

Sir / Madam,

Sub: Valuation of securities with multiple put options present ab-initio

Reference: Provisions for “Valuation of securities with Put / Call options” in SEBI Circular No. MFD/CIR/8/92/2000 dated September 18, 2000 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019.

1. In respect of valuation of securities with multiple put options present ab-initio wherein put option is factored into valuation of the security by the valuation agency, the following is decided based on the recommendation of Mutual Fund Advisory Committee:

If the put option is not exercised by a Mutual Fund, while exercising the put option would have been in favour of the scheme;

- i. A justification for not exercising the put option shall be provided by the Mutual Fund to the Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period.
 - ii. The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security.
2. The put option shall be considered as ‘in favour of the scheme’ if the yield of the valuation price ignoring the put option under evaluation is more than the contractual yield/coupon rate by 30 basis points.

3. **Applicability:** The circular shall be applicable with effect from October 01, 2021.
4. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 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.

Yours faithfully,

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