

Info Capsule

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THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

REVIEW OF INVESTMENT NORMS FOR MUTUAL FUNDS FOR INVESTMENT IN DEBT AND MONEY MARKET INSTRUMENTS (CIRCULAR No. SEBI/HO/IMD/DF2/CIR/P/2019/104: Dated: October 01, 2019)

In order to enhance transparency and disclosure for investment in debt and money market instruments by mutual funds, SEBI has decided that: Mutual fund scheme shall not invest in unlisted debt instruments including commercial papers (CPs), other than (a) government securities, (b) other money market instruments and (c) derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. which are used by mutual funds for hedging.

However, mutual fund schemes may invest in unlisted Non-Convertible Debentures (NCDs) not exceeding 10% of the debt portfolio of the scheme subject to the condition that such unlisted NCDs have a simple structure (i.e. with fixed and uniform coupon, fixed maturity period, without any options, fully paid up upfront, without any credit enhancements or structured obligations) and are rated and secured with coupon payment frequency on monthly basis.

The circular also prescribes the timeliness with respect to implementation of the above, restrictions on investment in debt instruments having Structured Obligations / Credit Enhancements, Sector and Group level Exposure Limits, etc.

The details are available at: https://www.sebi.gov.in/legal/circulars/oct-2019/review-of-investment-norms-for-mutual-funds-for-investment-in-debt-and-money-market-instruments_44556.html