



CIRCULAR

SEBI/HO/IMD/DF3/CIR/P/2020/130

July 22, 2020

All Mutual Funds (MFs)/

Asset Management Companies (AMCs)/

Trustee Companies/ Board of Trustees of Mutual Funds/

Association of Mutual Funds in India (AMFI)

Sir / Madam,

Subject: Transaction in Corporate Bonds/Commercial Papers through RFQ platform and enhancing transparency pertaining to debt schemes

1. In order to enhance the transparency and disclosure pertaining to debt schemes and investments by mutual funds in Corporate Bonds/Commercial Papers, SEBI based on the recommendation of Mutual Fund Advisory Committee (MFAC) has decided the following:

A. In order to increase the liquidity on exchange platform,

- i. On monthly basis, Mutual Funds shall undertake at least 10% of their total secondary market trades by value (excluding Inter Scheme Transfer trades) in the Corporate Bonds by placing/seeking quotes through one-to-many mode on the Request for Quote (RFQ) platform of stock exchanges. The percentage as specified shall be reckoned on the average of secondary trades by value in immediate preceding three months on rolling basis.

For example, for the month of October 2020, Mutual Funds shall undertake 10% (by value) of their average secondary market trades (excluding IST) done in immediate preceding



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three months i.e. July 2020, August 2020 and September 2020 for Corporate Bonds by placing / seeking quotes through RFQ platform of stock exchanges.

- ii. All transactions in Corporate Bonds and Commercial Papers wherein Mutual Fund is on both sides of the trade shall be executed through RFQ platform of stock exchanges in one-to-one mode.
- iii. Any transaction entered by mutual fund in Corporate Bonds in one to many mode and gets executed with another mutual fund shall also be counted for the aforesaid 10% requirement.

B. In partial modification of SEBI circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 it is decided for debt schemes that, such disclosure shall be done on fortnightly basis within 5 days of every fortnight. In addition to the current portfolio disclosure, yield of the instrument shall also be disclosed. The disclosure shall be made in the format mentioned in the aforementioned circular.

- 2. The above shall come into force with effect from October 1, 2020.
- 3. 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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