

Month	Chronology of Decisions / Changes given effect to Valuation Methodology in 2013
For the month of November - meeting held on 30 Nov 13	<p>Valuation Of Bonds issued by State Power Distribution Companies (DISCOMs) under Financial Restructuring Plan In respect of the minutes pertaining to decision taken during the valuation committee meeting held on November 1, 2013, on the captioned subject, it was clarified as under:</p> <ol style="list-style-type: none"> 1. The specified initial period of the bonds issued by all Discoms under FRP will be taken as 5 years for valuation and other maturity based calculations. 2. The Discom bonds issued under FRP which are unrated and unlisted will be outside the purview of 10% limit stipulated by RBI for investing in unrated/unlisted bonds as per para. 16.4 of RBI Master Circular dated July 1, 2013 on IRAC norms on Advances.
For the month of October - meeting held on 1st Nov 13	<p>Corporate Bond: Valuation Of Bonds issued by Rajasthan State Power Distribution Companies (DISCOMs) under Financial Restructuring Plan: The Committee discussed on the valuation of Bonds issued by Rajasthan DISCOMs as referred to by Andhra Bank. The Members of the Valuation Committee decided that the actual tenor mentioned in the bond (5 years in case of Rajasthan DISCOM bonds) will be considered as the original maturity period of bonds and accordingly the G-sec yield for residual maturity period with a markup of 75 bps/100 bps will be taken for Valuation Purposes as per RBI circular No. DBOD.BP.BC.No.105/21.04.132/2012-13 dated 27th June, 2013.</p> <p>However, the members also stated that ratings and listings are not available for these DISCOMs bonds and as the banks are compelled to buy these unrated bonds the same should be kept outside the purview of 10% limit stipulated by RBI for investing in unrated/unlisted bonds. It was decided that FIMMDA should take up this matter with RBI and get the desired exemption.</p>
For the month of September - meeting held on 1st Oct 13	<p>GSec: Deal Time limit for recognizing the deals done on NDS-OM / RD for valuation purposes: it was noticed that, if a nodal point is traded on NDS OM or reported under Reported Deal section of NDS-OM and subsequently the market yields change substantially due to some events, but the nodal point security was not traded after the event, then taking the pre-event traded price of the nodal point security may distort the yield curve. The committee discussed and felt that there should be cut off time and only the trades done after the cut off time should be recognised for input purpose. After elaborate discussions it was decided that if a nodal point is traded after 3 pm, it would be recognised as an input in the model for curve generation and valuation. If there is any trade before 3pm, it will not be used for 'input' but after the yield curve is generated, the value obtained for the nodal point security as per yield curve, will be replaced by the actual price at which the security was traded before 3 pm.</p> <p>Corporate Bond: The Committee decided the Filter Criteria for the Recognition of Price for Last 15 days.</p> <ol style="list-style-type: none"> 1. The minimum number of Trades for recognition of prices of last 15 days Cumulative Corporate Bond Spreads will be 1 and Volume will be Minimum Rs. 5 crore. 2. If Corporate Bonds are traded below the G-Sec Par yield or have a negative spread, such Corporate Bond trades will not be published and considered for Price Recognition. 3. Tax Free Corporate Bond will be considered even, if they are traded below the G-Sec Par Yield. 4. Corporate Bonds that do not fulfill above mentioned criteria for price recognition will be valued by the Matrix Spread which is uploaded by FIMMDA every month.
For the month of July -meeting held on 1-Aug-13	<p>G Sec: Current Market Conditions: The Committee members were informed that IBA and FIMMDA have already approached RBI for appealing the central bank to reverse or ease the stance, they have taken in sucking up the liquidity. FIMMDA Members were requested to approach RBI with their individual hit they have taken on their P & L on account of these measures.</p> <p>The following requests were made by FIMMDA on behalf of members:</p> <ul style="list-style-type: none"> • Increase LAF from 0.5 to 1% • Reduction of CRR from 99 to 90%, to reduce wastage of product • Restoration of HTM level to 25% <p>Corporate Bond: Discussion on PTC Securitized paper: Extract as per Section 115TA: From 1st June, 2013 investors would be receiving net income from securitization trust on PTC's and this income will be exempted from income tax in the hands of the investors. Accordingly, this investment in PTCs (Securitized paper) can be treated as tax free investments. Axis Bank paper was discussed and members observed that in view of the specific tax section quoted, the valuation of PTC bonds may be done similar to a tax free bond.</p>
For the month of May -meeting held on 1-Jun-13	<p>G Sec: Discussion on Inflation Indexed Bonds (IIBs): The committee members approved the following criteria For Level 1, 2 for recognizing the closing price and yield:-</p> <p>Level 1:- If Traded, then filter criteria would be a minimum of 3 trades with a volume of Rs. 15 Crs.</p> <p>Level 2:- Bids and Offer should appear at two intervals in the day at 12.00 pm and 4.00 pm with a minimum volume of 5 Crs and a maximum spread of 10 Bps.</p> <p>Level 3:- When the Bond does not fulfill the criteria mentioned in Level 1 and Level 2 the valuation and pricing will be based on Interim Model Price which is based on Fisher Equation as per model exhibited on the website.</p> <p>Note:- FIMMDA has uploaded guidelines for IIBs on their website with captioned bullets:-</p>

<p>For the month of April -meeting held on 2-May-13</p>	<p>Sec: Amendments to Cubic Spline Valuation Methodology - Illiquidity Factor :When a new paper is issued, or when there are more than one paper traded in a particular tenor, one qualifying for a Nodal Point input, and the other passing the “Filter Criteria” for recognition of the traded price for valuation purposes, the illiquidity factor would be calculated as follows:</p> <p>a. The “Par-Yields” will be generated after inputting the new/Nodal Point Qualifier/ in the CS model.</p> <p>b. The difference between the traded /reported prices (on NDS-OM) in the same tenor papers and the respective “Par-Yields” would be the “Illiquidity Factor”. In case two or more papers are traded in the same tenor the Illiquidity Factor (IFs) will be averaged ignoring the lowest IF amongst the traded securities in the particular tenor.</p> <p>c. 3-Day Moving Average of the IFs (Illiquidity Factors) calculated as above, would be applied to the existing papers instead of the normal 4-Week Moving Average.</p> <p>d. If there are no trades in a particular tenor, the Model Yield plus the IF would give the final yield for valuation of bonds in that tenor.</p> <p>e. If the outstanding papers in a tenor become totally illiquid (i.e. no trades in a day) the last IF would continue to be used till the immediately next quarter end.</p> <p>f. If, after adding the “Illiquidity Factor”, the non-traded bonds in a particular tenor show a yield which is lower than the yield of a traded bond whose volume and trades have passed the filter for recognition for valuation purposes, the model –determined yield (including the IF) would be increased to equal the yield of the traded bond. Thus :</p> <p>Yield of a non-traded bond in a particular tenor would be = or > than the yield of the traded bond with the lowest yield in that tenor.</p>
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<p>For the month of February - meeting held on 1-Mar-13</p>	<p>Month-End Corporate Bond Spread Matrix : The committee was informed that with effect from 1st April, 2013 FactEntry Spread Matrix provided for month end valuations and CRISIL Matrix will be discontinued. However, Average Trades Spreads of Corporate Bonds over FIMMDA-PDAI Gilt Curve are also being put on website on daily basis.</p>
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