Nurturing Markets,
Widening Horizons

Regd. Office: Unit No 12 A-10,
13th floor, Parinee Crescenzo,
Plot C-38 & 39, G Block, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Tel: 022-35219216, 35221560, 35221764, 35235700

FIMCIR/2025-26/48

March 25, 2026

To,

ALL FIMMDA MEMBERS

VALUATION OF INVESTMENTS

Annually, FIMMDA guidelines on Valuation of Investment, a compendium of extant guidelines, clarifications obtained and decisions of FIMMDA committees, is issued to facilitate valuation of investment portfolio by Banks, PD and AIFIs.

Appended below is latest version of ***FIMMDA Guidelines on Valuation of Investment – March 2026.***

While due care has been taken in bringing out this year's compendium, members are advised to ensure meticulous compliance with the regulatory provisions as applicable to them, in supersession of what is provided in the FIMMDA Guidelines on Valuation of Investment – March 2026.

Yours truly,

Sd/-

G. Ravindranath
Chief Executive Officer

ANNEXURE

FIMMDA GUIDELINES ON VALUATION OF INVESTMENT – MARCH 2026

CHAPTER 1

1) Applicability and Scope:

1.1 Applicable for Commercial Banks / Small Finance Banks / Payments Bank / RRBs and AIFIs covering provisions of the following RBI Master Directions (*"the Directions"*) and decision of appropriate committees of FIMMDA.

a) Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio Directions, 2025; RBI/DOR/2025-26/162 DOR.MRG.REC.No.81/00-00-001/2025-26 dated November 28, 2025
b) Small Finance Banks - Classification, Valuation, and Operation of Investment Portfolio Directions, 2025; RBI/DOR/2025-26/193 DOR.MRG.REC.No.112/00-00-001/2025-26 dated November 28, 2025
c) Payments Banks - Classification, Valuation, and Operation of Investment Portfolio Directions, 2025; RBI/DOR/2025-26/214 DOR.MRG.REC.No.133/00-00-001/2025-26 dated November 28, 2025
d) Regional Rural Banks – Classification, Valuation and Operation of Investment Portfolio Directions, 2025; RBI/DOR/2025-26/260 DOR.MRG.REC.No.179/00-00-001/2025-26 dated November 28, 2025
e) All India Financial Institutions – Classification, Valuation and Operation of Investment Portfolio Directions, 2025; RBI/DOR/2025-26/329 DOR.MRG.REC.No.248/00-00-017/2025-26 dated November 28, 2025

The term *"Banks"* shall mean and include Commercial Banks, Small Finance Banks, Regional Rural Banks and Payment Banks, unless otherwise specifically stated.

1.2 Primary Dealers:

1.2.1 The Banks undertaking PD activities departmentally may continue to follow the extant guidelines applicable to banks with regard to the classification of the investment portfolio issued by Internal Debt Management Department (IDMD), RBI, from time to time, 5.8.2 of Master Direction – Operational

Guidelines for Primary Dealers dated July 01, 2016. (updated as on November 22, 2018)

1.2.2 Standalone PDs are to ensure specific compliance with extant regulatory guidelines on accounting norms, as applicable provision of RBI Master Direction – (Standalone Primary Dealers) Directions, 2025, RBI/DOR/2025-26/366 DOR.FIN.REC.No.285/03-10-119/2025-26 dated November 28, 2025 (updated as on March 10, 2026) in respect of valuation of their investment portfolio

1.3 Master Circular for Mutual Funds Circular No. SEBI/HO/IMD-PoD-1/P/CIR/2024/90 dated June 27,2024

2)

2.1 **Fair Value** (Applicable for Commercial Banks / Small Finance Banks / Payments Banks)
The fair value for the purpose of initial recognition and periodical valuation of investments as required by *"the Directions"* shall be as per the valuation norms laid down in the relevant Chapters of the applicable circular ("*the Directions*")

2.2 **Market Value** (Applicable for RRBs and AIFIs)
"Market value" for the purpose of periodical valuation of investments will be as provided in Chapter VI of the relevant Circulars (*"the Directions"*)

CHAPTER 2

VALUATION OF INVESTMENTS

3) FIMMDA Publications:

3.1 To facilitate, members' compliance with RBI guidelines as above, both in quoted and non-quoted non-SLR debentures and bonds, FIMMDA publishes the following as per FIMMDA methodology:

a) FIMMDA SLV publication (For debentures / bonds (Plain Vanilla)):
i) Capturing traded / quoted prices as on date of valuation.
ii) Capturing traded prices during look back period of 15 days or Model prices - for non-traded / un-quoted securities.

b) FIMMDA Spread / Yield Matrix Publication:
(Rating categories AAA to BBB-)

i) Up to rating category AA-:
Model spreads / yields using polled values adjusted to trade replacements and Market Yield Movement using traded prices of top issuers.

ii) For rating categories below AA- up to BBB-: The spreads for ratings below "AA-" are determined based on the traded levels of these bonds during the last three months (excluding AT1 bonds, Tax free bonds and SO / CE rated bonds), in the Valuation Committee meeting. These spreads are kept fixed for 3 months. FIMMDA will announce the fixed spreads to be applied for the next 3 months or period as may be determined in the Valuation Committee Meeting.

iii) FIMMDA does not publish any valuation for rating categories below BBB-:
   a. Please read the notices provided on the publication.
   b. Users are advised to ensure compliance of guidelines vide para 6.1 – i) and iii) below.

c) 15-day Cumulative Traded Data:
FIMMDA consolidates and puts up the consolidated cumulative Corporate Bond traded data of past 15 days (including the date of valuation) on its website on daily basis. (to help compliance of para 6.1 – iii) below).

3.2 <u>Application of FIMMDA publications (rated bonds):</u>

Members are advised to apply as below:

a) For all ISINs (plain vanilla debentures / bonds) where SLV prices are available in FIMMDA SLV publication, SLV prices published are to be used. (in compliance of para 6.1 – i) and iii) below as applicable).

b) For all other debentures / bonds for which FIMMDA SLV prices are not published, FIMMDA Matrix values are to be used as below: (subject to other applicable regulatory compliances of para 6.1 – i) and iii) below).

i) FIMMDA Matrix spreads must be added to the base yield corresponding to the residual maturity and not the original maturity.
ii) The bonds are to be valued by adding the credit spreads to the Par/ Base Yield Curve.
iii) The Par/ Base Yield Curve starts from three-month tenor.
iv) For valuation of securities with maturities less than three months, the yield for three-month tenor should be considered. Yield for intermediate tenors for each curve may be arrived at by linear interpolation.
v) The Spread Matrix starts from six-month tenor. For valuation of securities with maturities less than six months the spread for six-month tenor should be considered. Spread for intermediate tenors for each curve may be arrived at by linear interpolation.
vi) For securities where the residual maturity is more than 15 years, the spreads of 15 years should be added to the base yield of applicable maturity.

4) Quoted Securities: (SLR & Non-SLR):

4.1 The Fair Value / Market Value for the quoted securities shall be the prices / yields as declared by the Financial Benchmarks India Pvt. Ltd. (FBIL) in accordance with RBI Circular FMRD.DIRD.7/14.03.025/2017-18 dated March 31, 2018 as amended from time to time.

4.2 RBI Circular FMRD.DIRD.7/14.03.025/2017-18 dated March 31, 2018 further provides that RBI regulated entities, including *Banks*, non-bank financial companies, Primary Dealers, Co-Operative banks and All India Financial Institutions who are required to value Government securities to use FBIL prices with effect from March 31, 2018.

4.3 Other market participants prices / yields may also use the Govt. securities prices / yields published by FBIL for valuation of their investment portfolio.

4.4 For securities whose prices are not published by FBIL, the fair value/ market price of the quoted security shall be based upon quoted price as available from the trades/ quotes on recognised stock exchanges, reporting platforms or trading platforms authorized by RBI / SEBI or prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

4.5 Discounted instruments like Treasury Bills, Commercial Paper and Certificate of Deposit may be valued at carrying cost.

CHAPTER 3

5) Un-quoted Securities:

5.1 **SLR Securities:** Unquoted Central / State Government securities shall be valued on the basis of the prices / YTM rates published by the FBIL.

5.2 **Treasury Bills:**

5.2.1 For Banks and Bank PDs: Treasury Bills will be valued at carrying cost.

5.2.2 For Standalone Primary Dealers: Treasury Bills will be valued as per applicable guidelines.

5.3 **Other approved securities:**
Shall be valued applying the YTM method by marking them up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by FBIL.

5.4 **NONSLR Securities:**

Unquoted debentures and bonds includes;

- Debentures and bonds
- Commercial papers
- Certificate of Deposits
- Such other securities as defined in *"the Directions".*

6) Debentures and Bonds:

6.1 Extant regulatory guidelines:
Debentures and bonds shall be valued by applying the appropriate mark-up over the YTM rates for Central Government Securities as put out by FBIL / FIMMDA.
The mark-up applied shall be determined based on the ratings assigned to the debentures / bonds by the credit rating agencies and shall be subject to the following:

i) The mark-up shall be at least 50 basis points above the rate applicable to a Central Government security of equivalent maturity for rated debentures/ bonds.

ii) The mark-up for unrated debentures or bonds shall not be less than the mark-up applicable to rated debentures or bonds of equivalent maturity.
Provided that *the mark-up for the unrated debentures or bonds should appropriately reflect the credit risk borne by the bank.*

iii) **Traded Securities:**
Where the debentures / bonds are quoted and there have been transactions within 15 days prior to the valuation date, the value adopted shall not be higher than the rate (price) at which the transaction has been recorded on the Exchanges / trading platforms / reporting platforms authorized by SEBI / RBI.

6.2 Other Guidelines:

Further subject to provisions under para 3.2 and 6.1 above (wherever FIMMDA SLV prices are not available):

a) Whenever a Corporate Bond is traded and reported, the 'traded spread' (of the weighted average traded yield) of that bond, over the G. Sec Par / Base Yield curve would be used for valuing all other non-traded bonds of similar rating of the particular Corporate in the particular traded tenor on that day. (Thus, if AAA bond of 'XYZ Limited-' maturing in 2025 was traded on 31-03-2023 at a price of Rs. 98.53 with a spread of 68 bps over the G. Sec Par / Base Yield, all AAA rated non-traded XYZ Limited bonds maturing in 2025 would be valued on 31-03-2023 with a spread of 68 bps over the G. Sec Par/Base Yield). *(provided applied spread is at least 50 bps over the G. Sec Par / Base Yield of similar tenor, otherwise the spread is to be adjusted to at least 50 bps)*

b) If more than one bond of the particular corporate with the same rating was traded in that tenor, the higher traded spread would be used for valuing all other similar rated non-traded bonds of that corporate in that particular tenor on that day. (Thus, if AAA, 8.84 % XYZ Limited - 2025 was traded with a spread of 57 bps and AAA, 8.40 % PGC - 2025 was traded with a spread of 60 bps all other AAA rated non-traded XYZ Limited

bonds maturing in 2025 would be valued with a spread of 60 bps on that day).
(provided applied spread is at least 50 bps over the G. Sec Par/Base Yield of similar tenor, otherwise the spread is to be adjusted to at least 50 bps)

7 Unrated Bonds:

7.1 Bonds which are not RATED by a Rating Agency but a corresponding rated bond of the Issuer exists:

As per RBI guidelines, the rate used for the YTM for unrated debentures / bonds should not be less than the rate applicable to rated debentures / bonds of equivalent maturity. The mark-up for the unrated debentures/ bonds should appropriately reflect the credit risk borne by the bank.
Explanation: Bonds and debentures, which are NOT rated by a rating agency or have become 'unrated' during their tenor, but a corresponding rated bond of the issuer exists, then the unrated bonds will be valued by marking up the credit spread by a minimum of 25% over the equivalent rated long-term bond of the same issuer.

7.2 Bonds, Debentures and Preference Shares which are not rated by a Rating Agency, and no corresponding rated bond of the Issuer exists:

The spreads of BBB- for residual tenor marked up by 25 % will be the applicable credit spreads.

7.3 Bonds and Debentures which were rated by a Rating Agency, but became unrated during their tenor and no corresponding rated bond of the issuer exists:

The spreads of BBB- for residual tenor marked up by 25 % will be the applicable credit spreads.

8 Floating Rate Bonds (Non SLR):

8.1 Floating Rate Bonds (Non SLR):

Floating Rate Bonds are instruments where the coupon rate is variable and is calculated using a certain predetermined methodology. Floating Rate Bonds are instruments where the coupon rate is variable and is usually linked to a benchmark published by a Financial Benchmark Administrator such as FBIL.

Method of Valuation of Floating Rate Bonds:

a) Compute the forward benchmark rate for each reset date.

Computation of the forward rate:

$$(1+R_1)^{T_1} \times (1+F)^{(T_2-T_1)} = (1+R_2)^{T_2}$$

Where,

R_1 = zero rate for time T_1,

R_2 = zero rate for time T_2,

F = forward rate for period (T_2-T_1) at time T_1

While the above formula is most accurate, an approximation may be made as follows:

$F = (R_2 \times T_2 - R_1 \times T_1) / (T_2 - T_1)$

b) Using the same find the coupon (benchmark plus markup, if any) and the cash flows on the interest payment dates.

c) Discount these cash flows by any one of the following methods:

i. Discount each cash flow using the Zero-Coupon Yields for that cash flow adjusted for the credit spread corresponding to the rating of the bond.

The zero-coupon rates may be taken from any recognized source viz. FBIL.

ii. Discount each cash flow using the FBIL G-Sec par yield for the full residual maturity of the bond adjusted for the credit spread corresponding to the rating of the bond.

iii. The zero-coupon rates / par yield rates may be taken from any recognized source viz. FBIL.

Wherever publications from recognized sources viz. FBIL are not available, banks may use their internal approved models.

8.2 MIBOR linked Bonds:

Method of Valuation of MIBOR link Floating Rate Bonds:

a) Compute the forward benchmark rate for each reset date.

Par yield curve needs to be bootstrapped to derive zero curve, which can be used for computing daily forward benchmark reset rate. The daily forward rate needs to be daily compounded to calculate the effective net rate.

Computation of the forward rate:

$$(1+R_1)^{T_1} \times (1+F)^{(T_2-T_1)} = (1+R_2)^{T_2}$$

Where,

R_1 = zero rate for time T_1,

R_2 = zero rate for time T_2,

F = forward rate for period (T_2-T_1) at time T_1

a) The coupon rate (compounded benchmark rate plus markup, if any) for each fixing is calculated using forward rate and the cash flows on the interest payment dates.

b) Discount these cash flows by any one of the following methods:

i. Discount each cash flow using the Zero-Coupon Yields for that cash flow adjusted for the credit spread corresponding to the rating of the bond.

ii. Discount each cash flow using the FBIL par yield for the full residual maturity of the bond adjusted for the credit spread corresponding to the rating of the bond.

9 Staggered Redemption bonds:

9.1 Staggered Redemption bonds would be valued as under:

Approach	Discounting rate	Spreads
Treat as a plain-vanilla bond with residual maturity equal to weighted average maturity of principal flows.	As per weighted average maturity	As per weighted average maturity

9.2 Floating Rate Bonds with Staggered Redemption:

For valuation follow one of the discounting methods;
a) As per ZCYC method: refer para 8 (8.1 c (i))
b) using Par Yield method para 8 (8.1 (c) (ii): Residual maturity equal to weighted average maturity of principal flows.

10 Perpetual Bonds:

10.1 Basel III Compliant AT1 Perpetual Bonds:

Based on the actual trades in AT1 bonds during a particular month, FIMMDA publishes spreads for AT1 bonds after discussions in the monthly valuation committee meetings.
Valuation of AT 1 perpetual bonds will be done based on a Yield to First Call (YFC) basis.
For detailed Methodology please refer to Chapter 1 para 2.1 (E) of FIMMDA's Corporate Bond Valuation Methodology.

10.2 Other Perpetual Bonds:

For Perpetual Bonds with single/multiple call option, compute the price for all option dates till the longest point on the base yield curve and for the date corresponding to the longest point on the G-sec par yield curve published by FBIL. Use the price which is the lowest for valuing the bond.

a) The cash flow of the security relating to the longest point on the Government Securities yield curve is to be considered.
b) If the securities have a Call Option by the issuer and there is a step-up coupon after the call option, the cash flow should be considered with the step–up coupon after considering the regular coupons up to Call Option date.

11 Zero Coupon Bonds (ZCBs):

To be valued as, in the absence of market value, the ZCBs shall be marked to market with reference to the present value of the ZCB. The present value of the ZCBs may be calculated by discounting the face value using the 'Zero Coupon Yield Curve' put out by

FBIL, with appropriate mark up as per the zero-coupon spreads put out by FIMMDA of the ZCB.

The fair value so determined should be compared with the carrying cost to determine valuation gain or loss.

12 Deep Discount Bonds (Coupon bearing and non-coupon bearing):

12.1 The coupon bearing Deep Discount Bonds would be valued as:

a) Zero Coupon Bonds (without the coupons)
b) The individual coupon flows would be valued as Zero-Coupon STRIPS.
c) The grossed up present values of a) + b) above would be the price of the coupon bearing Deep Discount Bond at which the bond would be marked to market.

12.2 The non-coupon bearing Deep Discount Bonds would be valued as per para 11 above.

13 Bonds with Options:

13.1 Bonds with Call and Put Options:

The following are the categories of bonds;

a) Bonds with only Call option
b) Bonds with only Put option
c) Bonds with Single Call / Put Option with same dates
d) Bonds with Multiple Call / Put Option on same dates
e) Bonds with Multiple Call / Put Option on different dates

a) <u>Only Callable Bonds:</u>
Bonds, which are only callable by the issuer, will be valued at the lowest of the value/s as obtained by valuing the security to call option date/s and to the final maturity.

b) <u>Only Puttable Bonds:</u>
Bonds puttable by the investor should be valued at the highest of the value/s as obtained by valuing the security to put option date/s and also to the final maturity.

c) <u>Bonds with Single Call / Put Option with same dates:</u>

Where bonds have simultaneous call, and put option (s) (on the same day) would be deemed to mature on the Put / Call Day and would be valued accordingly.

d) Bonds with Multiple Call / Put Option on same dates:
Where Bonds have simultaneous call and put option on the same day and there are several such call & put options in the life of the bond, the nearest date should be taken for Price / YTM calculation.

e) Bond with Multiple call / put option having different dates:
Bonds having both call and put options on different dates should be valued at by obtaining of minimum price out of below

- Maximum price obtained by valuing the security on put dates
- Minimum price obtained by valuing the security on call dates
- Maturity price

13.1 In case of bonds with Staggered redemptions, while computing values up to option dates / redemption dates, applicable weighted average maturity should be considered.

13.2 Bonds with Cap and Floor:
Bonds with a Collar spread of 25 basis points or less will be valued like a fixed coupon bond with the coupon being the average of the cap and floor.
(Rationale: If the Collar spread is small the likelihood of the bond hitting the cap or the floor is higher and the bond would behave like a fixed coupon bond).
For bonds with higher collar spread, the banks should separately value the collar through any recognized model and account for the changes in the P & L account as per rules.

14 UDAY Bonds and Bonds issued by State Distribution Companies (Discoms) under Financial Restructuring Plan (FRP):

a) Uday Bonds To be valued based on prices / yield published by FBIL.
b) Other Bonds issued by and / or serviced by Discoms/ State governments will be valued by applying prescribed mark-up on YTM rates for Central Government Securities of equivalent maturities as published by FBIL, as provided in "*the Directions*".

15 Tax-Free Bonds:

In case a Tax-Free bond has traded in the last 15 days. It has to be valued at traded price. In case of other Tax-Free bonds, the coupon will be grossed up by a factor equal to the Income Tax rate applicable for the holder. Thereafter, the bond will be valued as any other bond.

The rationale for grossing up coupon is as under:

The price/value of a bond is the present value of future cash flows. The market yield meant for discounting taxable coupon inflows cannot be obviously used for discounting tax-free coupon inflows. So, the option is to gross up the coupon using the applicable tax rate to arrive at taxable coupon. So, if a tax-free coupon is 8% and the tax rate is 33%, then the coupon is grossed up to 11.94%. This grossed up coupon is discounted at the market yield and spread applicable to the issuer segment, credit rating and residual tenor. This logic is tenable if the tax-free bonds give really tax-free income.

Income tax angle to the treatment of tax-free bonds will be as per IT Act provisions as applicable.

16 Investments in Securitized debt instruments:

16.1 Investment in securities issued by Asset Reconstruction Company (ARC): To be valued as per provision of,

a) RBI Master Direction on – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025 dated November 28, 2025 (Commercial Banks/ SFB/ AIFI/ RRBs/Payment Banks)

b) RBI Master Direction on – (Transfer and Distribution of Credit Risk) Directions, 2025 dated November 28, 2025 (Commercial Banks/ SFB/ AIFI/ RRBs)

16.2 Investment in Securitized Papers: (Standard asset) issued by non-ARC's:

For valuation of Investments in Securitised Papers including PSL-PTCs, issued by entities other than ARCs to be valued by the applicable provisions of RBI Master Direction on – (Securitisation Transactions) Directions, 2025 dated November 28, 2025 (Commercial Banks/ SFB/ AIFI)

16.3 Securities (Bonds / Debentures / Preference Share) issued as part of a Restructuring of an advance:
Valuation of instruments, in cases of conversion of principal and unpaid interest into debt, preference or equity instruments banks a bank shall follow the requirements of the RBI Master Direction on – (Resolution of Stressed Assets) Directions, 2025 dated November 28, 2025 (Commercial Banks/ Small Finance Banks) as amended from time to time

17 Preference Shares:

17.1 When a preference share has been traded on exchange within 15 days prior to the valuation date, the value shall not be higher than the price at which the share was traded.

17.2 The valuation of unquoted preference shares shall be done on YTM basis with appropriate mark-up over the YTM rates for Central Government Securities of equivalent maturity put out by the FBIL subject to such preference share not being valued above its redemption value. The mark-up shall be graded according to the ratings assigned to the preference shares by the rating agencies and shall be subject to the following:

a) The mark-up cannot be negative i.e., the YTM rate shall not be lower than the coupon rate/ YTM for a Central Government India security of equivalent maturity.
b) The rate used for the YTM for unrated preference shares shall not be less than the rate applicable to rated preference shares of equivalent maturity and shall appropriately reflect the credit risk borne by the bank.
c) Where the investment in preference shares is made as part of a resolution the mark-up shall not be lower than 1.5 percentage points.

17.3 Where preference dividends/coupons are in arrears, no credit should be taken for accrued dividends/coupons and the value determined as above on YTM basis should be discounted further by at least 15 per cent if arrears are for one year, 25 per cent if arrears are for two years, so on and so forth (i.e., with 10 percent increments). The overarching principle should be that valuation shall be based on conservative assessment of cash flows with appropriate discount rates to reflect the risk. Statutory Auditors should also specifically examine as to whether the valuations adequately reflect the risk associated with such instruments. The depreciation/provision requirement arrived at in respect of non-performing shares where dividends are in arrears shall not be allowed to be set-off against appreciation on other performing preference shares.

17.4 Investments in preference shares as part of the project finance shall be valued at par for a period of two years after commencement of production or five years after subscription whichever is earlier.

18 Priority Sector Bonds:

Priority sector bonds issued by All India Financial Institutions (AIFI) and Public Sector Undertakings should be valued as a PSU/FI as per applicable rating.

19 Recapitalization bonds:

Special securities received from the Government of India towards recapitalization of a bank shall be initially recognised at their fair value based on the prices / YTM put out by FBIL or as determined under *Special Securities of "*the Directions*", as the case may be.

Any difference between the acquisition cost and fair value so arrived shall be immediately recognized in the Profit and Loss Account.

Further, subsequent valuation of such securities, shall be based on applicable provisions for "Special Securities" under of "*the Directions*"

20 Securities issued by Alternative Investment Funds (AIFs)/VCFs:

a) Investment in Bonds issued by Venture Capital Funds (VCFs):

The investment in the bonds of VCFs, if any, shall be valued as per guidelines prescribed for quoted/unquoted bonds in RBI master Direction, as amended from time to time.

b) Investment in Alternative Investment Funds (AIFs):

i) Quoted equity shares, bonds, units of AIFs in the bank's portfolio shall be valued mutatis mutandis as per instructions given in *"the Directions"* for quoted securities.
ii) Unquoted instruments of AIFs shall be valued as under:
Other instruments: The valuation of unquoted equity and other instruments issued by an AIF shall be as per the methodology specified for such instruments in *"the Directions"*

21 Valuation of Municipal Bonds:

Municipal Bond are similar to corporate bond (PSU category). Hence applicable valuation of quoted / unquoted bonds of PSU Category may be followed.

22 Commercial Paper:

a) For Banks and Bank PDs: Commercial Paper shall be valued at the carrying cost.
b) For Standalone Primary Dealers: Commercial Papers will be valued as per applicable guidelines.

23 Certificate of Deposit:

a) For Banks and Bank PDs: Certificate of Deposit shall be valued at the carrying cost.
b) For Standalone Primary Dealers: Certificate of Deposit will be valued as per applicable guidelines.

24 Unrated Government Guaranteed Non-SLR bonds:

Bonds are issued outside the approved market-borrowing programme may be valued as follows:

i) Spreads over the sovereign risk-free yield curve, at the time of issue, will be applicable.
ii) The spread shall be marked up by 15% if the issue is more than 12 months old.
iii) SGL data, available from January 1, 1996 at RBI website (www.rbi.org.in), should be used for arriving at the credit spreads at the time of issue. In case of debenture/ bond issued prior to January 1, 1996 the bonds will be valued at cost.

25 Other Special Securities (Non- SLR)

As per RBI guidelines, the special securities*, which are directly issued by Government of India to the beneficiary entities, which do not carry SLR Will be valued at a spread of 25 bps above the corresponding yield on Central Government Securities of equivalent maturity.
Note: *Special securities at present comprise Oil Bonds, Fertilizer Bonds, bonds issued to the State Bank of India (during the 2008 rights issue), Industrial Finance Corporation of India Ltd., and Food Corporation of India, and securities issued by Central Government towards bank recapitalisation.

CHAPTER 4

26 VALUATION OF SWAPS:

26.1 FBIL publishes the following benchmarks on a daily basis.

i. FBIL - OVERNIGHT MIBOR
ii. FBIL - TERM MIBOR
iii. FBIL – Modified MIFOR
iv. FBIL – MIBOR OIS
v. FBIL - Treasury bill
vi. FBIL - Certificate of Deposits

SWAPs may be valued on the benchmark swap rates / curves for constructing swap transactions. Wherever such rates / curves are available; in the absence of such rates / curves they may be valued using internal valuation methodology as approved by appropriate internal committee.

26.2 Valuation of MMIFOR Swaps:
Modified MIFOR Swaps - These will be valued based on Modified MIFOR swap curve available.

26.3 Valuation of Swaption:
As decided till the time a robust valuation methodology is developed in consultation with FBIL. Banks should value outstanding Swaption Contracts in their books based on their respective proprietary model devised and approved by Competent Authorities.

- *Above guidelines capture updated instructions of regulators for valuation of Investment portfolio.*
- *Notwithstanding guidelines issued above market participants are advised to ensure meticulous compliance of all extant Regulatory / Government guidelines as applicable while valuing assets in their respective Investment portfolio as on valuation date.*
- *Till the time the Next Valuation Circular is issued all Regulatory Guidelines issued in interregnum will have precedence over these guidelines.*

—oo0oo—

REFERENCES:

Sr. No.	Regulators Name	Circular Number
1	RBI	
1.1		RBI Master Direction - Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025; RBI/DOR/2025-26/162 DOR.MRG.REC.No.81/00-00-001/2025-26 dated November 28, 2025
1.2		RBI Master Direction – (Small Finance Banks - Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025; RBI/DOR/2025-26/193 DOR.MRG.REC.No.112/00-00-001/2025-26 dated November 28, 2025
1.3		RBI Master Direction – (Payments Banks - Classification, Valuation, and Operation of Investment Portfolio) Directions, 2025; RBI/DOR/2025-26/214 DOR.MRG.REC.No.133/00-00-001/2025-26 dated November 28, 2025
1.4		RBI Master Direction – (Regional Rural Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025; RBI/DOR/2025-26/260 DOR.MRG.REC.No.179/00-00-001/2025-26 dated November 28, 2025
1.5		RBI Master Direction – (All India Financial Institutions – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025; RBI/DOR/2025-26/329 DOR.MRG.REC.No.248/00-00-017/2025-26 dated November 28, 2025
1.6		RBI/2017-18/146 FMRD.DIRD.7/14.03.025/2017-18 Taking over of valuation of Government Securities (G-Sec) by Financial Benchmark India Pvt. Ltd. (FBIL) – valuation of portfolios

1.7		Master Direction – Operational Guidelines for Primary Dealers (Updated as on November 22, 2018)
1.8		RBI Master Direction – (Standalone Primary Dealers) Directions, 2025
1.9		Reserve Bank of India (Commercial Banks - Transfer and Distribution of Credit Risk) Directions, 2025
1.10		Reserve Bank of India (Small Finance Banks – Transfer and Distribution of Credit Risk) Directions, 2025
1.11		Reserve Bank of India (Regional Rural Banks - Transfer and Distribution of Credit Risk) Directions, 2025
1.12		Reserve Bank of India (All India Financial Institutions - Transfer and Distribution of Credit Risk) Directions, 2025
1.13		Reserve Bank of India (Commercial Banks – Securitisation Transactions) Directions, 2025
1.14		Reserve Bank of India (Small Finance Banks – Securitisation Transactions) Directions, 2025
1.15		Reserve Bank of India (All India Financial Institutions – Securitisation Transactions) Directions, 2025
1.16		Reserve Bank of India (Commercial Banks - Resolution of Stressed Assets) Directions, 2025
1.17		Reserve Bank of India (Small Finance Banks - Resolution of Stressed Assets) Directions, 2025
2.	SEBI	SEBI Master Circular for Mutual Funds Circular No. SEBI/HO/IMD-PoD-1/P/CIR/2024/90 dated June 27,2024
3.	FIMMDA	Corporate Bond Methodology

TERMINOLOGY

Sr. No.	Abbreviation	Elongated
1.	AIFI	All India Financial Institutions
2.	ARC	Asset Reconstruction Company
3.	AT1	Additional Tier 1
4.	CD	Certificate of Deposit
5.	CE	Credit Enhancement
6.	CP	Commercial Paper
7.	DDB	Deep Discount Bonds
8.	FRBs	Floating Rate Bonds
9.	FRP	Financial Restructuring Plan
10.	GOI	Government of India
11.	MYM	Market Yield Movement
12.	OIS	Overnight Index Swap
13.	PSL-PTC	Priority Sector Lending - Pass Through Certificates
14.	PD	Primary Dealer
15.	SEBI	Securities and Exchange Board of India
16.	SFBs	Small Finance Banks
17.	SO	Structure Obligation
18.	SPD	Standalone Primary Dealer
19.	SRs	Securitized Receipts
20.	RRBs	Regional Rural Banks
21.	T-Bill	Treasury Bill
22.	VCFs	Venture Capital Funds
23.	YTFC	Yield to First Call
24.	ZCBs	Zero-Coupon Bonds