

FIMCIR/2019-20/011

20th June 2019

Dear All,

Re: Corporate Bond – Publication of daily Security Level Valuation -on firm basis.

Ref. FIMCIR/2018-19/14 dated 07-Aug-2018

To recapitulate, for valuation of corporate bonds, FIMMDA was publishing the daily spread matrix w.e.f. 16th April 2018. The users were required to add the spreads to the G-sec par yield for a corresponding maturity and arrive at the yield of a security to be valued. The yield is converted into price using XIRR formulae.

The valuation based on segment wise/rating wise/tenor wise spread matrix was not reflecting the value of certain securities correctly. After studying the trade data for about three years, back testing the model yields with the actual traded yields and discussing with the market participants, FIMMDA evolved a methodology for publishing security level valuation on a daily basis. The methodology as approved by the core committee for valuation of corporate bonds and FIMMDA board is available on our website.

As decided in the valuation committee meetings, we started publishing SLV from 31st March 2018 on trial basis, which continues till date.

Market participants were requested to study the SLV, compare the yields with the security's traded yield or yield as per spread matrix and bring to our notice any deviations.

FIMMDA kept receiving feedback on the values given by us under SLV in various valuation and core committee meetings. We also received suggestion on changes in methodology to bring in robustness. The various suggestions and observations were incorporated in the methodology. The revised methodology is available on our website. (Link http://www.fimmda.org/uploads/general/SLV_methodology_January_2019.pdf.)

We are pleased to inform you that the Security Level Valuation (SLV) will be published on firm basis with effect from **01-July-2019**. If any institution wants to add any ISIN which is not existing in SLV list, they may bring it to our notice with term sheet details.

We shall continue to keep a watch on the SLV and request all institutions to bring to our notice any inconsistency in the values published / methodology to make it more robust.

Yours faithfully,

D.V.S.V. Prasad
Chief Executive Officer