VALUATION POLICY FOR SCHEMES OF UTI MUTUAL FUND

Introduction :

SEBI vide Gazette Notification no. LAD-NRO/GN/2011-12/38/4290, dated February 21, 2012 amended Regulation 25, 47 and the Eighth Schedule titled 'Investment Valuation Norms' under SEBI (Mutual Funds) Regulations, 1996 to introduce the overarching principles namely 'Principles of Fair Valuation' .

These principles require mutual funds to ensure fair treatment to all investors (existing as well as new investors) seeking to purchase or redeem the units of the scheme(s) at all points of time. It further prescribes that the valuation shall be reflective of the realizable value of securities and shall be done in good faith and in a true and fair manner through appropriate valuation policies and procedures approved by the Board of the Asset Management Company (AMC). Further as per the amendment in case of any conflict between the principles of fair valuation and valuation guidelines as per Eighth Schedule and circulars issued by SEBI, the Principles of Fair Valuation shall prevail.

In order to ensure transparency of valuation norms to be adopted it is mandated by SEBI for AMC to disclose their valuation policy and procedures as approved by the Board of AMC on the website of the AMC/Mutual Fund.

In this context the Investment Valuation Policy & Procedures is hereby disclosed for the benefit of investors. This Investment Valuation Policy & Procedures is subject to review and change from time to time.

Valuation Policy and Procedures

I. Equity and Equity related Securities:

(a) Traded Securities

(Equity shares and equity related securities like rights, warrants, preference shares etc.)

A security is treated as 'traded' in the following circumstances:

- The security is traded on any stock exchange within a period of 30 days (including the date of valuation) and if:
- the aggregate volume of trade during such period is more than 50,000; or
- the trade value is greater than Rs.5,00,000

these are valued at the closing prices on NSE, (and if NSE price is not available BSE price is considered). The principle stock exchange for valuation of equity shares is NSE. The equity shares held in the UTI SENSEX ETF and UTI SENSEX Next 50 ETF will be valued at their closing prices as per the BSE.

(b) Non traded / Thinly traded / Unlisted equity shares:

Investments in securities, which have not been traded on any stock exchange in the aforesaid manner, are stated at fair value as determined by UTI AMC in accordance with the provisions of the SEBI (Mutual Fund) Regulations, 1996 as detailed below.

Based on the latest available Balance Sheet, net worth shall be calculated as follows:

Share Capital

Plus: Reserves (excluding revaluation Reserve)

Less: Miscellaneous Expenditure

Less: Intangible Assets (in case of unlisted securities)

Less: P & L Accounts (Debit Balance)

The resultant figure is the Net Worth of the Company, which when divided by the numbers of shares outstanding gives the net worth per share.

Capitalized earning price will be arrived at by multiplying the earnings per share with the discounted industry P/E ratio. Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data shall be taken and discounted by 75%. Earnings per share of the latest audited annual accounts will be considered for this purpose. The value as per the net worth value per share and capital earning value calculated as above shall be averaged and further discounted by 10% for illiquidity so as to arrive at the fair value. In case of unlisted equity shares the discount factor will be 15% instead of 10%.

In case, the Earning per share (EPS) is –ve, EPS value for that year shall be taken as zero for arriving at capitalized earning. In case latest balance sheet is not available within 6 months from the close of the year, the shares of such companies shall be valued at zero. If the net worth of the company is –ve the share would be marked down to zero. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security.

In case the fair value price so arrived is higher than the latest available quote price, then quote price is considered, provided the quote price is not older than 30 days.

(c) *Non traded / Thinly traded / Unlisted* rights share/Debt in the form of Rights and warrants:

The rights will be valued at the difference between the daily Ex-rights price of underlying equity share and rights offer price for the entire period. In case the exercise price is greater than the ex-rights price, the value of the rights share is to be taken as zero. In case exercise price is payable in more than one installment, then the rights shares are valued at underlying equity share price minus uncalled liability. Where the rights/warrants are not treated pari passu with the existing shares, suitable adjustment should be made to the value of rights/warrants. In case of unlisted company, the rights share value is taken into consideration after their allotment by way of recomputing the fair value of the equity shares, after considering the allotment of rights. If Debt securities in the form of rights are issued, the same is valued as per the debt valuation norms, from the date of allotment of the securities. Till such time they are valued at face value - exercise price or as suggested by the valuation committee. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

(d) Non traded / Thinly traded / Unlisted Preference shares:

Non-convertible preference shares are valued at the present value of future expected dividend payments and maturity value, discounted at the expected rate of return on preference shares. The valuation committee will decide upon variables like expected future dividend, expected rate of return etc. on a case to case basis depending on the terms of issue of the preference shares.

Convertible preference shares will be valued based on the underlying equity, further discounted for illiquidity at an appropriate percentage. The illiquidity percentage will be decided by the Valuation Committee on a case to case basis.

The valuation committee may in specific cases decide to use a different method for valuation of preference shares by assigning reasons therefor.

(e) Corporate Action:

In case of demerger if Shares of only one company continue to be traded on de-merger, the other security is valued at traded value on the day before the de merger less value of the traded security post de merger. The valuation committee may decide to apply appropriate illiquidity discount on a case to case basis. If the post demerger value of the share of the de merged and traded company is equal or in excess of the value of the pre de merger share, then the non-traded share is to be valued at zero.

If both the shares are not traded on de-merger: the traded price prior to demerger, will be allocated between the post-demerger companies on an appropriate basis like Price Earnings ratio, net worth or any other measure, as per the decision of the Valuation Committee.

The untraded/unlisted shares resulting from demerger will be valued on fair valuation basis after the audited annual financial results of the demerged company are available.

In case of corporate actions like bonus shares having differential voting rights, bonus debentures (where terms of security like coupon, maturity date etc., are not known) etc., these are referred to the valuation committee to discover the prices of such securities.

In case of merger, if the shares of the merged entity are not listed/traded, then valuation of merged entity shall be arrived at based on the terms of merger and previous day's closing price of the respective companies prior to merger.

The price of the unlisted shares arising out of corporate actions as arrived at above, will be reviewed by the valuation committee at half yearly intervals till such time that the audited annual financial results of the company are available.

(f) Initial Public Offering ('IPO') application.

IPO application awaiting allotment would be valued at allotment price / bid price

II. Debentures, Bonds, Asset Backed Securities, Commercial Papers (CPs), Certificates of Deposit (CDs), Government Securities (Gsecs), State Government Securities (SDLs), GSec STRIPS, Treasury Bills (TBills), Bill Rediscounting Papers (BRDS):

(Securities Rated Above Investment Grade):

A) Securities with residual maturity > 30 days

Securities with residual maturity > 30 days shall be valued at the average of prices provided by CRISIL and ICRA for the respective paper.

If on any day, the price for any security is not provided by CRISIL and ICRA then the security will be valued as follows –

1) If the security is newly purchased, till such time that the prices are not provided by CRISIL and ICRA then:

- Coupon bearing securities will be valued at weighted average trade price of the deals in that security done by schemes of UTI Mutual Fund for latest trade day.
- Discounted securities will be valued at the price computed on T+1 basis w.r.t the valuation day considering the weighted average traded yield of the deals for that security done by schemes of UTI Mutual Fund for the latest trade day.

2) In other cases, it will be valued as per the price approved by the valuation committee.

The valuation committee may, in exceptional circumstances decide to value a security at a price other than the average of CRISIL and ICRA prices by recording justification for the same.

In case a put / call option has been exercised, then the security will be valued as per the residual maturity of the put / call date from the date of exercise of such option across all schemes of UTI Mutual Fund.

For the purpose of determining the above mentioned prices of securities, the Valuation agencies will adopt a waterfall approach as per the guidelines laid down by AMFI in terms of the mandate given by SEBI in this regard.

The Waterfall approach specified by AMFI vide Circular no 135/ BP/ 83/ 2019-20 dated 18th November 2019 is enclosed in Annexure 1.

B) Papers with residual maturity < = 30 days

Papers with residual maturity <= 30 days shall be valued by amortisation on a straight-line basis to maturity provided such valuation price is within +/- 0.025 % of the reference price across all schemes of UTI Mutual Fund.

If the amortised price is greater than the reference price by 0.025 % of the reference price or more, then the security will be valued across all schemes of UTI Mutual Fund at reference price plus 0.025 % of the reference price.

If the amortised price is lesser than the reference price by 0.025 % of the reference price or more, then the security will be valued across all schemes of UTI Mutual Fund at reference price less 0.025 % of the reference price.

The reference price is the average of prices provided by CRISIL and ICRA for the respective security.

The valuation committee may, in exceptional circumstances decide to value a security at a price other than the average of CRISIL and ICRA prices by recording justification for the same.

AMCs may value the above investment grade debt/money market securities at prices other than those determined as explained above provided:

- The detailed rationale for deviation shall be recorded by the AMC
- The Board of the AMC and Trustees shall be reported about the rationale for deviation and other details as required by SEBI

- The rationale for deviation and other details as required by SEBI shall be disclosed to the investors. In this regard disclosure shall immediately be made on the website of the AMC under a separate head.
- The total number of instances of deviations shall be disclosed in the monthly and half-yearly portfolio statements for the relevant period along-with an exact link to the website wherein the details of all such instances of deviation are available.

III. Money market Instruments like Repos, TREPS etc:

A) With residual maturity < = 30 days

Money market instruments like Repos, TREPS etc. having maturity of upto 30

days will be valued at cost + accrual basis.

B) With residual maturity > 30 days

Money market instruments like Repos, TREPS etc. having maturity of greater than 30 days will be valued at average prices provided by CRISIL and ICRA.

IV. Short Term Deposits / Fixed Deposits :

Short Term Deposits / Fixed Deposits are valued at cost.

V. Future and Options:

(a) Index/ Stock / Interest Rate Futures are valued at settlement price declared by the Stock Exchange as on the valuation date.

(b) Index/ Stock Options are valued at the closing premium quote / exercise price declared by the Stock Exchange as on the valuation date.

VI. Interest Rate Swaps (IRS):

IRS will be valued as the difference between the value of the fixed and floating leg.

For this purpose:

The value of the Fixed leg will be the average of prices provided by CRISIL and ICRA.

The value of the floating leg will be considered at par.

VII. Gold:

The valuation of gold held in the Gold Exchange Traded Fund is arrived at as follows:

a) The London Bullion Market Association's (LBMA) AM fixing price per troy ounce is increased with the CIF premium and the LBMA fixing charge.

b) This price is then converted to the equivalent price for 1 kg gold of 0.995fineness by applying the conversion factor.

c) The RBI reference rate is applied to convert the price from US dollars to Indian Rupees.

d) The Indian levies in the form of customs duty and stamp duty are added to arrive at the final landed price of gold. If on any day the LBMA AM fixing or RBI reference rate is not available due to holiday, etc. then the immediately previous day's prices are applied for the purpose of calculating the value of gold.

VIII. Mutual Fund Units

MF Units listed and Traded would be valued at the closing traded price as on the valuation date. If the units are not traded on the valuation day, the closing price of earliest previous day on which they have been traded may be used provided such price is not prior than 30 days. Unlisted MF Units and listed-but-not-traded MF Units would be valued at the NAV as on the valuation date.

IX. Money Market and Debt securities rated below investment grade:

Money market and debt securities rated below investment grade shall be valued at the aggregate prices provided by CRISIL and ICRA for such securities

Till such time that CRISIL and ICRA do not provide the price of such security, it shall be valued on the basis of indicative haircuts provided by these agencies.

Below investment grade papers shall be valued at traded price if:

1) Traded price is available for the respective securities for the minimum size as determined by CRISIL and ICRA

2) Traded price as determined above is lower that the aggregated price or hair cut price as the case may be.

AMCs may value any such securities at prices other than those determined as explained above provided:

- The detailed rationale for deviation shall be recorded by the AMC
- The Board of the AMC and Trustees shall be reported about the rationale for deviation and other details as required by SEBI
- The rationale for deviation and other details as required by SEBI shall be disclosed to the investors. In this regard disclosure shall immediately be made on the website of the AMC under a separate head.
- The total number of instances of deviations shall be disclosed in the monthly and half-yearly portfolio statements for the relevant period along-with an exact link to the website wherein the details of all such instances of deviation are available.

X. Inter Scheme Transfers

Equity Securities:

In respect of inter scheme transfer of equity securities, the spot/current market price available from Bloomberg terminal on a continuous basis is considered.

Debt and Money Market Securities:

1.Inters scheme transfers of debt and money market securities will be at the average of prices provided for this purpose by the valuation agencies viz. CRISIL and ICRA

2. If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing.

3. If prices are not received from any of the valuation agencies within the agreed TAT then the IST may be done at a price determined based on the principle laid down in clause 3 (a) of the Seventh Schedule to SEBI (Mutual Fund) Regulations, 1996. Such price shall be approved by the Valuation Committee

General Principle:

While the fund will follow the above guidelines on an ongoing basis, there may be extraneous situations under which, in the interest of fair reflection and fair valuations, there may be deviations to the above guidelines. The decision on any such deviation will rest with the Valuation Committee based on the justification and adequate documentations.

Abnormal conditions:

The valuation committee may determine the valuation methodology to be adopted in case of abnormal market conditions.

Periodic Review

The Valuation policy shall be reviewed at least annually and any modification shall be approved by the AMC and Trustee Boards. The Valuation Policy shall also be reviewed by Independent Auditors at least once in a Financial Year to ensure the appropriateness of the valuation methodologies.

Conflict of Interest

If any situation arises that leads to conflict of interest, the same shall be raised to the Valuation Committee and the Committee shall endeavour to resolve the same such that the valuation provides for fair treatment to all investors including existing and prospective investors.

ANNEXURE 1

Waterfall Approach for the Valuation of Money Market and Debt Securities

Part A: Valuation of Money Market and Debt Securities other than G-Secs

1. **Waterfall Mechanism for valuation of money market and debt securities:**

The following shall be the broad sequence of the waterfall for valuation of money market and debt securities:

1. Volume Weighted Average Yield (VWAY) of primary reissuances of the same ISIN (whether through book building or fixed price) and secondary trades in the same ISIN
2. VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1below)
3. VWAY of secondary trades of same issuer, similar maturity
4. VWAY of primary issuances through fixed price auction of same issuer, similar maturity
5. VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1below)
6. VWAY of secondary trades of similar issuer, similar maturity.
7. VWAY of primary issuance through fixed price auction of similar issuer, similar maturity
8. Construction of matrix (polling may also be used for matrix construction)
9. In case of exceptional circumstances, polling for security level valuation (Refer Note 2 below)

Note 1

Except for primary issuance through book building, polling shall be conducted to identify outlier trades. However, in case of any issuance through book building which is less than INR 100 Cr, polling shall be conducted to identify outlier trades.

Note 2

Some examples of exceptional circumstance would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other event as may be considered by valuation agencies. Here stale spreads are defined as spreads of issuer which were not reviewed/updated through trades/primary/polls in same or similar security/issuers of same/similar maturities in waterfall approach in last 6 months.

Further, the exact details and reasons for the exceptional circumstances which led to polling shall be documented and reported to AMCs. Further, a record of all such instances shall be maintained by AMCs and shall be subject to verification during SEBI inspections.

Note 3

All trades on stock exchanges and trades reported on trade reporting platforms till end of trade reporting time (excluding Inter-scheme transfers) should be considered for valuation on that day.

Note 4

It is understood that there are certain exceptional events, occurrence of which during market hours may lead to significant change in the yield of the debt securities. Hence, such exceptional events need to be factored in while calculating the price of the securities. Thus, for the purpose of calculation of VWAY of trades and identification of outliers, on the day of such exceptional events, rather than considering whole day trades, only those trades shall be considered which have occurred post the event (on the same day).

The following events would be considered exceptional events:

i. Monetary / Credit Policy
ii. Union Budget
iii. Government Borrowing / Auction Days
iv. Material Statements on Sovereign Rating
v. Issuer or Sector Specific events which have a material impact on yields
vi. Central Government Election Days
vii. Quarter end days

In addition to the above, valuation agencies may determine any other event as an exceptional event. All exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

2. Definition of tenure buckets for Similar Maturity

When a trade in the same ISIN has not taken place, reference should be taken to trades of either the same issuer or a similar issuer, where the residual tenure matches the tenure of the bond to be priced. However, as it may not be possible to match the exact tenure, it is proposed that tenure buckets are created and trades falling within such similar maturity be used as per table below.

Residual Tenure of Bond to be priced	Criteria for similar maturity
Upto 1month	Calendar Weekly Bucket
Greater than 1month to 3 months	Calendar Fortnightly Bucket
Greater than 3 months to 1year	Calendar Monthly Bucket
Greater than 1year to 3 years	Calendar Quarterly Bucket
Greater than 3 years	Calendar Half Yearly or Greater

In addition to the above:

a. In case of market events, or to account for specific market nuances, valuation agencies may be permitted to vary the bucket in which the trade is matched or to split buckets to finer time periods as necessary. Such changes shall be auditable. Some examples of market events / nuances include cases where traded yields for securities with residual tenure of less than 90 days and more than 90 days are markedly different even though both may fall within the same maturity bucket, similarly for less than 30 days and more than 30 days or cases where yields for the last week v/s second last week of certain months such as calendar quarter ends can differ.

b. In the case of illiquid/ semi liquid bonds, it is proposed that traded spreads be permitted to be used for longer maturity buckets (1year and above). However, the yield should be adjusted to account for steepness of the yield curve across maturities.

c. The changes *I* deviations mentioned in clauses a and b, above, should be documented, along with the detailed rationale for the same. Process for making any such deviations shall also be recorded. Such records shall be preserved for verification.

3. Process for determination of similar issuer

Valuation agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer do not always refer to issuers which trade at same yields, but may carry spreads amongst themselves & move in tandem or they are sensitive to specific market factor/s hence warrant review of spreads when such factors are triggered.

i. Issuers within same sector/industry and/or
ii. Issuers within same rating band and/or
iii. Issuers with same parent/ within same group and/or
iv. Issuers with debt securities having same guarantors and/or
v. Issuers with securities having similar terms like Loan Against Shares (LAS)/ Loan Against

Property (LAP)

The above criteria are stated as principles and the final determination on criteria, and whether in combination or isolation shall be determined by the valuation agencies. The criteria used for such determination should be documented along with the detailed rationale for the same in each instance. Such records shall be preserved for verification. Similar issuers which trade at same level or replicate each other's movements are used in waterfall approach for valuations. However, similar issuer may also be used just to trigger the review of spreads for other securities in the similar issuer category basis the trade/news/action in any security/ies within the similar issuer group.

4. Recognition of trades and outlier criteria

i. Volume criteria for recognition of trades (marketable lot)

Paragraph 1.1.1.l(a) of SEBI vide circular no. SEBl/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, prescribes that the marketable lots shall be defined by AMFI,in consultation with SEBI. In this regard, marketable lot is defined as under.

The following volume criteria shall be used for recognition of trades by valuation agencies:

Parameter	Minimum Volume Criteria for marketable lot
Primary	INR 25 er for both Bonds/NCD/CP/ CD and other money market
Secondary	INR 25 er for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr for Bonds/NCO/ G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

ii. Outlier criteria

It is critical to identify and disregard trades which are aberrations, do not reflect market levels and may potentially lead to mispricing of a security or group of securities. Hence, the following broad principles would be followed by valuation agencies for determining outlier criteria.

a. Outlier trades shall be classified on the basis of liquidity buckets (Liquid, Semi-liquid, Illiquid). Price discovery for liquid issuers is generally easier than that of illiquid issuers and hence a tighter pricing band as compared to illiquid issuers would be appropriate.

b. The outlier trades shall be determined basis the yield movement of the trade, over and above the yield movement of the matrix. Relative movement ensures that general market movements are accounted for in determining trades that are outliers. Hence, relative movement over and above benchmark movement shall be used to identify outlier trades.

c. Potential outlier trades which are identified through objective criteria defined above will be validated through polling from market participants. Potential outlier trades that are not validated through polling shall be ignored for the purpose of valuation.

d. The following criteria shall be used by valuation agencies in determining Outlier Trades

Liquidity Bps Criteria (Yield movement over previous day yield after accounting for yield movement of matrix)

Liquidity Classification	Bps Criteria		
	Upto 15 days	**15-30 days**	**Greater than 30 days**
Liquid	30 bps	20 bps	10 bps
Semi-liquid	45 bps	35 bps	20 bps
Illiquid	70 bps	50 bps	35 bps

The above criteria shall be followed consistently and would be subject to review on a periodic basis by valuation agencies and any change would be carried in consultation with AMFI.

e. In order to ensure uniform process in determination of outlier trades the criteria for liquidity classification shall be as detailed below.

Liquidity classification criteria — liquid, semi-liquid and Illiquid definition

Valuation agencies shall use standard criteria for classifying trades as Liquid, Semi-Liquid and illiquid basis the following two criteria

a. Trading Volume
b. Spread over reference yield

Such criteria shall be reviewed on periodic basis in consultation with AMFI.

Trading Volume (Traded days based criteria):

Number of unique days an issuer trades in the secondary market or issues a new security in the primary market in a calendar quarter

- Liquid >=50% of trade days
- Semi Liquid >=10% to 50% trade days
- Illiquid <10 % of trade days

Spread based criteria:

Spread over the matrix shall be computed and based on thresholds defined; issuers shall be classified as liquid, semi liquid and illiquid. For bonds thresholds are defined as up to 15 bps for liquid; >15-75 bps for semi-liquid; > 75 bps for illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix), For CP/ CD- up to 25 bps for liquid; >25- 50 bps for semiliquid; > 50 bps for illiquid. (Here, spread is computed as average spread of issuer over Al+/AAA CD Bank matrix).

The thresholds shall be periodically reviewed and updated having regard to the market.

The best classification (liquid being the best) from the above two criteria (trading volume and spread based) shall be considered as the final liquidity classification of the issuer. The above classification shall be carried out separately for money market instruments {CP/ CDs) and bonds.

5. **Process for construction of spread matrix**

Valuation agencies shall follow the below process in terms of calculating spreads and constructing the matrix:

Steps	Detailed Process
Step 1	Segmentation of corporates- The entire corporate sector is first categorised across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket: 1.Public Sector Undertakings/Financial Institutions/Banks; 2.Non-Banking Finance Companies -except Housing Finance Companies; 3. Housing Finance Companies; 4. Other Corporates
Step 2	Representative issuers - For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the valuation agencies for only higher rating {I.e. "AAA" or AA+). Benchmark/Representative Issuers will be identified basis high liquidity, availability across tenure in AAA/AA+ category and having lower credit/liquidity premium. Benchmark Issuers can be single or multiple for each sector.

	It may not be possible to find representative issuers in the lower rated segments, however in case of any change in spread in a particular rating segment; the spreads in lower rated segments should be suitably adjusted to reflect the market conditions. In this respect, in case spreads over benchmark are widening at a better rated segment, then adjustments should be made across lower rated segments, such that compression of spreads is not seen at any step. For instance, if there is widening of spread of AA segment over the AAA benchmark, then there should not be any compression in spreads between AA and A rated segment and so on.
Step 3	**Calculation of benchmark curve and calculation of spread –** 1. Yield curve to be calculated for representative issuers for each sector for maturities ranging from 1month till 20 years and above. 2. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector. 3. In the event of no data related to trades/primary issuances in the securities of the representative issuer is available, polling shall be conducted from market participants 4. Yield curve for Representative Issuers will be created on daily basis for all 4 sectors. All other issuers will be pegged to the respective benchmark issuers depending on the sector, parentage and characteristics. Spread over the benchmark curve for each security is computed using latest available trades/primaries/polls for respective maturity bucket over the Benchmark Issuer. 5. Spreads will be carried forward in case no data points in terms of trades/primaries/polls are available for any issuer and respective benchmark movement will be given

Step 4	1. The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve on the basis of trades/primary issuances. 2. In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating to be considered. 3. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.

Part B: Valuation of G-Secs {T- Bill, Cash management bills, G-Sec and SOL)

The following is the waterfall mechanism for valuation of Government securities:

- VWAY of last one hour, subject to outlier validation
- VWAY for the day (including a two quote, not wider than 5 bps on NDSOM), subject to outlier validation
- Two quote, not wider than 5 bps on NDSOM, subject to outlier validation
- Carry forward of spreads over the benchmark
- Polling etc.

Note:

1. VWAY shall be computed from trades which meet the marketable lot criteria stated in Part A of these Guidelines.
2. Outlier criteria: Any trade deviating by more than +/- 5 bps post factoring the movement of benchmark security shall be identified as outlier. Such outlier shall be validated through polling for inclusion in valuations. If the trades are not validated, such trades shall be ignored.