

CIRCULAR

SEBI/HO/IMD/IMD PoD-2/P/CIR/2023/85

June 8, 2023

**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,

Sub: Participation of Mutual funds in repo transactions on Corporate Debt Securities

1. SEBI vide circular no. CIR/IMD/DF/19/2011 dated November 11, 2011 and CIR/IMD/DF/23/2012 dated November 15, 2012 allowed mutual funds to participate in repo transactions on corporate debt securities.
2. In partial modification to the above circulars, the following has been decided:
 - 2.1. The Mutual Funds can participate in repos on following corporate debt securities:
 - 2.1.1. Listed AA and above rated corporate debt securities
 - 2.1.2. Commercial Papers (CPs) and Certificate of Deposits (CDs)
 - 2.2. For the purpose of consideration of credit rating of exposure on repo transactions for various purposes including for Potential Risk Class (PRC) matrix, liquidity ratios, Risk-o-meter etc., the same shall be as that of the underlying securities, i.e., on a look through basis.
 - 2.3. For transactions where settlement is guaranteed by a Clearing Corporation, the exposure shall not be considered for the purpose of determination of investment limits for single issuer, group issuer and sector level limits.
 - 2.4. All other conditions mentioned in the abovementioned circulars shall remain the same.

3. The provisions of this circular shall come into force with immediate effect.
4. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (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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