



Association of Mutual Funds in India

701 - Tower 2B, One Indiabulls Centre, 841, Senapati Bapat Marg, Mumbai - 400 013
Tel. +91 22 43346700 Fax: +91 2 43346712 www.amfiindia.com

135/ BP/93a/ 2021-22

December 3, 2021

**To,
All AMFI Members**

Dear Members,

AMFI Best Practices Guidelines Circular No.93a / 2021-22
Prudential norms for Liquidity Risk Management for Open-ended Debt Schemes –
Clarifications / amendments

Please refer to AMFI Best Practices Guidelines Circular No.93 / 2021-22 dated July 24, 2021, on Prudential Norms for Liquidity Risk Management for Open-ended Debt Schemes.

In this regard, we had received certain queries from some of our members w.r.t. some of the provisions in the aforesaid circular, which were referred to AMFI Valuation Committee.

AMFI Valuation Committee, after reviewing the matter has issued the clarifications, and have also recommended certain amendments as tabulated in the Annexure A hereto, which have been duly endorsed by the Board of AMFI for uniform implementation by all members.

Members are requested to confirm having noted the contents of this circular for due compliance and also to place this circular before their Trustees for information at the next meeting of the Trustees.

With best regards,

B. M. Kini
Dy. Chief Executive

Annexure – A

Clarifications/Amendments w.r.t. AMFI Best Practices Guidelines Circular No.93 / 2021-22 dated July 24, 2021 on Prudential norms for Liquidity Risk Management for Open-ended Debt Schemes

Sr	Paragraph	Ref	Clarification/Amendment
1.	Eligible assets for LR-CRaR:	a.I.ii Table 2 (Row 2)	<p>Row 2 shall include A1+ rated securities / instruments with lowest long-term rating of AAA</p> <p>The aspect of eligibility of A1+ security/instrument subject to its issuer having lowest long-term rating of AAA shall be applicable from December 1, 2021 and the same shall be reviewed by AMFI after one year viz. in December 2022.</p> <p>AMFI shall define the qualitative and quantitative aspects to determine adverse news and also appoint a third-party entity to source adverse news/rumours which can be uniformly followed by all AMCs. Till the time AMFI formulates the methodology and appoints a third party, AMC shall track the same at their end.</p>
2.	Computation of liquidity requirements: Each AMC will use these tables to compute its liquidity requirements on a monthly rest (15 th of every month).	a.I.ii	To reset the liquidity requirements on 15 th of every month, AMCs shall consider the quantum of investment by single investor (PAN level) (₹ cr), as per RTA records, as on the 12 th of every month or the immediate previous business day if 12 th is a non-business day. This will provide sufficient time to compute the liquidity requirements, make modifications to investment rules in the order management system, and rebalance the portfolio.
3..	Back-testing of liquidity ratios:	b	<p>The word “outflow” implies net outflow (i.e. change in AUM) across the best practice circular.</p> <p>Back-testing shall be based on net outflow (i.e. change in AUM) for each scheme, as per RTA records, during the last month immediately preceding the date of reset of liquidity ratios. Net outflow, if any, as a % of the AuM at the beginning of last reset date shall be compared with the liquidity ratios predicted as per the model.</p> <p>For e.g. The liquidity requirement computed based on February 12, 2022 data, shall be used to check whether the net outflow (if any) during the period from January 13, 2022 to February 12, 2022 exceeded the LRaR or LCRaR ratios.</p> <p>There shall be twelve such observations during a year which shall be reviewed by the Trustees annually. In case the instances of failures i.e. actual net outflow% exceeding the liquidity ratios on more than 6 instances, Trustees shall recommend a higher buffer in order to minimise such outages.</p>
4.	Additional Parameters to be monitored by AMCs for aforementioned OEDS - Concentration by investor group	c.i	Till the time AMFI formulates the definition of investor groups, AMC shall group all investors (based on PAN of the First holder their definition of investor groups. This information shall be determined based on RTA records as on the 12 th of every month or the immediately preceding business day, if 12 th is a non-business day.
5.	Additional Parameters to be monitored by AMCs for aforementioned OEDS - Concentration by distributors	c.i	Multiple ARN codes under the same entity (based on PAN) shall be clubbed for this purpose.