



CIRCULAR

SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/580

June 18, 2021

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: Norms for investment and disclosure by Mutual Funds in Derivatives

1. SEBI vide Circular No. Cir/IMD/DF/11/2010 dated August 18, 2010 has, *inter alia*, prescribed the guidelines for participation of mutual fund schemes in Interest Rate Swaps (IRS). In this regard based on the feedback received from the industry, it has been decided to modify paragraph 8 of the aforesaid circular as follows:

“8. (a) Mutual Funds may enter into plain vanilla Interest Rate Swaps (IRS) for hedging purposes. The value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme.

(b) In case of participation in IRS is through over the counter transactions, the counter party has to be an entity recognized as a market maker by RBI and exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme. However, if mutual funds are transacting in IRS through an electronic trading platform offered by the Clearing Corporation of



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Securities and Exchange Board of India

India Ltd. (CCIL) and CCIL is the central counterparty for such transactions guaranteeing settlement, the single counterparty limit of 10% shall not be applicable.”

2. 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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