

CIRCULAR

SEBI/HO/IMD/DF4/CIR/P/2020/165

September 02, 2020

All Mutual Funds (MFs)/Asset Management Companies (AMCs)/
Trustee Companies/ Boards of Trustees of Mutual Funds/
Association of Mutual Funds in India (AMFI)

Sir / Madam,

Subject: Review of provision regarding segregation of portfolio due to the COVID - 19 pandemic.

1. In terms of the SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, segregated portfolio can be created in a Mutual Fund scheme by AMC in case of a credit event, which includes downgrade to below investment grade and subsequent downgrades in credit rating by the SEBI registered Credit Rating Agency.
2. RBI vide circular No. RBI/2020-21/16 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 has permitted the lending institutions to extend the resolution facility under 'Prudential Framework for Resolution of Stressed Assets' dated June 7, 2019 to borrowers having stress on account of Covid19. In the said circular, RBI has allowed all lenders of the borrower to sign the Inter Creditor Agreement ("ICA") for resolving the stressed assets.
3. Further, SEBI, vide circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/160 dated August 31, 2020 has provided that if the CRA is of the view that the restructuring by the lenders/ investors is solely due to COVID-19 related stress or under the aforementioned RBI framework, CRAs may not consider the same as a default event and/or recognize default.
4. Considering the above and in partial modification to aforementioned circular dated December 28, 2018, the date of proposal for restructuring of debt received by AMCs shall be treated as the trigger date for the purpose of creation of segregated portfolio.



5. Such proposal of restructuring of debt received by AMCs shall be immediately reported to the Valuation Agencies, Credit Rating Agencies, Debenture Trustees and AMFI. AMFI, on receipt of such information, shall immediately disseminate it to its members.
6. Further, all other relevant provisions of Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018 and Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/127 dated November 07, 2019 issued with respect to Segregation of Portfolio and the letter No. SEBI/HO/IMD/DF2/OW/2019/22447/1 dated August 29, 2019 issued with respect to Prudential Framework for Resolution of Stressed Assets shall remain applicable.
7. The above modifications permitted to SEBI circular dated December 28, 2018 shall be in force till December 31, 2020.
8. This Circular shall come into force with immediate effect.
9. 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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