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**FINANCIAL BENCHMARKS INDIA PVT LTD**

**Consultation on publication of FBIL G-Sec Valuation based on revised Methodology**

**December 27, 2022**

In consultation with the market participants, FBIL has revised the extant G-Sec Valuation methodology and software development for computation and publication of G-Sec valuation based on the revised methodology has been complete.

FBIL intends to calculate and publish the G-Sec valuation benchmark as per the revised methodology tentatively from **Monday, February 13, 2023**. In this regard, FBIL has scheduled a meeting with the market participants on **Tuesday, January 3, 2023 at 3:30 P.M**. to discuss the following:

1. The publication file formats for (i) G-Sec Valuation benchmark, (ii) SDL Valuation benchmark and (iii) SDL-ZCYC benchmark will also undergo changes. The revised file formats are given in Annexure – 1.

2**.** Comparison of GSEC YTMs, ZCYs and Par-yields for select month-end dates from July 2022 to November 2022 is appended in Annexure – 2.

3. A comparison of the salient features as per the existing and the revised G-sec Methodologies is summarised below:

**Comparison of salient features as per the existing and the revised G-sec Methodologies**

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| **Sr. No.** | **Existing Methodology** | **Revised Methodology** |
| 1. | **Traded data for final Price/YTM** - Last Traded Price/YTM. | 1. Traded data on NDS OM both normal and reported trades will be used. 2. Volume weighted average (VWA) of the last one-hour Price/YTM. If last hour data is not available, then entire day’s VWA Price/YTM |
| 2. | **Primary Auction** - Cut-off YTM, if not traded | WAY published by RBI, if not traded. |
| 3. | **Marketable, Observable and Tradable (MOT)** - data collected at 12 noon, 2 PM and 4 PM. And the average is taken for all three times with bid and offer spread upto 10 bps. | Data collected at 1 PM, 3 PM and 5 PM. The final YTM is taken based on 5 PM data subject to the bid offer spread at 10 bps for ISINs upto 5 year and 5 bps for ISINs above 5 years |
| 4. | **Nodal Point/ Input Point** -   1. One in each calendar maturity like 2021, 2022, 2023, …, etc. 50 trades and ₹500 crores in the last month. 2. ISINs chosen at the beginning of every month, based on previous month’s data. 3. First input point - Nearest traded T-bill | 1. Provision for more than one nodal point in a year subject to the condition that the difference between two input points should be above 0.25 years. 2. For selection of input points, there is a provision of minimum threshold criteria of 15 trades and ₹75 crores for each ISIN in the last 5 working days. 3. ISINs will be chosen at the beginning of the week, based on previous 5 working days and the list will be valid for the week. 4. Input ISINs Selection: 5. 7-day T-bill - first input 6. Upto 1 year: input points are FBIL 3-month, 6-month, 12-month T-Bills rates, 7. 1-14-years residual maturity and 8. Above 14-years maturity |
| 5. | Daily filter criteria | 1. 1-14 years – at least 3 trades of Rs. 15 crores 2. Above 14 years- at least two trades and Rs. 10 crores |
| 6. | **Adjustment Factor** –   1. based on last 4 week’s data and 5 trading days. 2. No negative spreads are considered in the calculation. | 1. Based on last two trading days when the ISIN was traded. The look-back period for the traded data is last 20 trading days. 2. If individual ISIN spreads are not available, then calculate the average Tenor-wise spread. If no traded data available in a tenor, then calculate the Bucket-wise average. 3. Negative spreads will be considered for individual spread. |
| 7. | **Final output:**   1. Traded ISIN- Last traded price/YTM 2. Non-traded ISINs- Model YTM+ Illiquidity spread | 1. In respect of ISINs whose VWAY are used as inputs into the model, they will be valued at their model input prices /YTM. 2. In respect of ISINs that are not used as inputs into the model, but have VWAY that qualify the traded criteria, they will be valued at their traded output Prices/ YTM (VWAY). 3. In respect of ISINs that are not used as inputs into the model, they will be valued at their model output Prices/ YTM. |

4. The WebEx Meeting link will follow.

Chief Executive Officer

**Annexure 1:**

The file formats for the publication of Government Securities(G-Sec) Valuation, State Development Loans (SDL) Valuations and SDL- ZCYC are as under:

   

**Annexure 2:**

**Comparison of GSEC YTMs, ZCYs and Par-yields for month-end dates from July 2022 to November 2022**



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