CRISIL
An S&P Global Company

Government Securities valuation

Background:

CRISIL Funds and Fixed Income Research provides valuation for all outstanding Government securities to subscribers on a daily basis. This methodology document covers the valuation methodology, maker checker process, policy for exceptions and governance structure.

Valuation Methodology

Waterfall approach used to determine security yields is as follows:

Step 1: VWAY Same ISIN secondary market trade of last one-hour subject to outlier validation

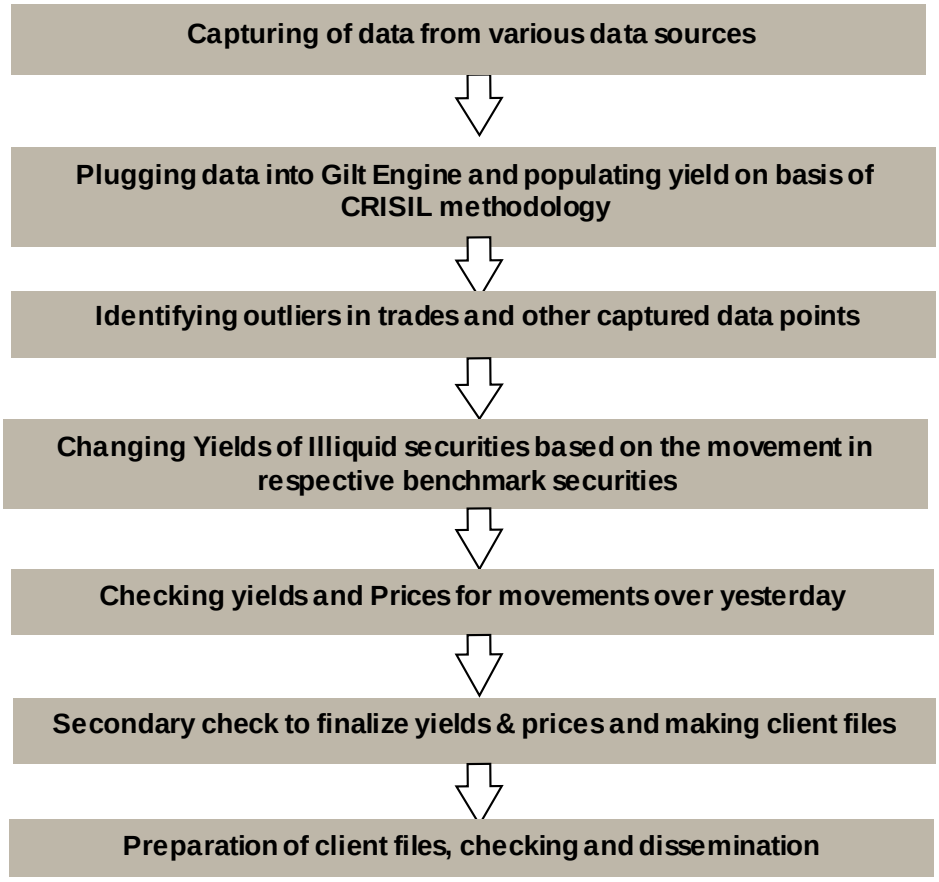
Step 2: VWAY Same ISIN secondary market trade for the day subject to outlier validation

Step 3: VWAY of primary auction (new issuance/re issuance/OMO)

Step 4: Two way quote not wider than 5 bps on NDS OM, subject to outlier validation

Step 5: Carry forward of spreads over the benchmark

Step 6: Polling, etc



Policy for exceptions

- Valuation approach may see following deviations:
  - Priority to market polls over trades
  - Approach change to incorporate security specific/market dynamics
  - Any other necessary steps based on CRISIL's valuation committee's discussion
- Exceptional days include but are not limited to:
  - Monetary Policies
  - Annual Budget
  - Quarter end days
  - Policy announcements
  - Macro Economic data release days
  - Any day with high volatility

Governance mechanism

CRISIL has an internal committees comprising of President, Senior Director/s, Director/s and Associate Director/s which has following role as provided below.

- **Criteria Committee:** Valuation policy and any changes to such policies are discussed with the committee and are incorporated post approval by the committee.

- **Valuation Committee:** Matters pertaining to exceptions, mentioned above, are discussed with valuation committee and acted upon based on its feedback.

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Our Company reports (that combine select financial and non-financial data, analytics from our proprietary risk models, and commentary on company's financial performance) are used by large commercial banks and financial institutions as part of their credit/ risk management process.

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