

BARODA ASSET MANAGEMENT INDIA LIMITED
Policy on governance of polling process

As per SEBI circular dated 24th September 2019 and with reference to the AMFI Best Practices Guidelines Circular no. 83/2019-20 dated November 18, 2019 on the waterfall approach for valuation of money market and debt securities, Baroda Asset Management India Limited (“**Baroda AMC**”), the investment manager to Baroda Mutual Fund (“**Mutual Fund**”), is required to have a written policy approved by the Board of Baroda AMC and Baroda Trustee India Private Limited (“**Baroda Trustee**”), to the Mutual Fund, on governance of the polling process. The said SEBI circular prescribes that the aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials with requisite knowledge and expertise who shall be responsible for polling. Detailed guidelines prescribed by the above referred AMFI circular forms part of this policy as **Annexure – I**.

Accordingly, the following document deals with the polling policy of Baroda AMC modeled on the above referred AMFI circular, issued in accordance with SEBI directions.

1. Polling process: The participation in polling would be through emails sent to the relevant valuation agencies. Any poll submitted through messenger services or through recorded lines would be revalidated through emails. The polling requests received by multiple officials from the concerned valuation agencies would be consolidated based on submitted polls from various designated officials. Valuation agencies would be required to send their requests for polls to a specific email ID so created. The submitted polls would also be sent to the common ID, wherein the officials responsible for polling and oversight of the same are part of. It is mandatory to poll on the debt instrument for which the AMC has exposure to or having similar security exposure in terms of Rating, Sector and tenure. Similar security means both the securities falling under same sector, have same rating and similar maturity profile. In order to be considered as similar maturity profile, the deviation in maturity profile for less than 91 days papers can be (+/- 7days), while for a security having maturity of 91 days to less than 1 year, can be (+/-15 Days). For a security having maturity of 1 year to less than 3 years papers, the deviation can be (+/- 30 days) and for 3 years and more, it can be (+/- 91 Days). The securities or credit enhancement papers would be mandatory to be polled if the AMC holds the same ISIN paper. For other security, the polling officer shall poll if he has requisite knowledge about the structure and the trading of the same.

2. Personnel – roles and responsibility: The polling submission for the securities would be the responsibility of the concerned Fund Managers/Head - Fixed Income transacting in the market segments. The Head - Fixed Income / Fund Manager would be designated as the officials responsible for polling various segments including all the mandatory securities to be polled.

3. Policies for Poll submission: The poll submissions are to be made by the authorized official based on best efforts basis and judgement. The factors that would be considered include the last available traded prices or market quotes for benchmark securities. The officials would also participate in the polls based on any primary market transactions in the concerned securities or active market quotes for new issuances which in their judgement may override the last traded prices. In the absence of observed trades or quotes, the movement in benchmark yields and corresponding spreads would be taken into account. For securities which are not actively traded or quoted, the polls may always carry a subjective assessment based on spreads over benchmarks, spreads of similarly rated issuers as well as issuer specific factors based on last available trade or market 2- way quotes. In cases where similar maturity securities of an illiquid issuer are traded in offshore markets, the officials may also refer to such traded market levels of issuers and provide quotes adjusted for the forward premiums. **In cases of outlier polls, the officials are required to provide a short supportive reason for quotes provided.** In cases where an indicative fair valuation cannot be provided, the same would be taken on record in the polling sheets sent to valuation agencies.

4. Oversight (Mitigation of Potential Conflict): The Valuation Committee would have the overall governance responsibility of the polling processes including adherence to regulatory guidelines. The polling policy including changes and revisions would need the approval of the Board of AMC and Trustee.

5. Reporting to Board of AMC and Trustees: Compliance with the polling guidelines would be confirmed in the quarterly activity report of Baroda AMC submitted to the Board of Directors of Baroda AMC and Baroda Trustee in their periodic meetings. Exceptions, if any, would be reported to the Boards.

6. Business Continuity: The required infrastructure will be monitored and alternative arrangements will be in place to ensure required information is made available to the polling officer to deliver poll submissions without material interruption due to any technical failure.

7. Audit Trail and Documentation: All polling done will be documented and preserved for eight years along with details of the basis of polling (such as market transactions, market quotes, expert judgement, etc.). Proper audit trail shall be maintained for all polls submitted to valuation agencies. In case the Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded at the time and subsequently made available during SEBI inspection.

The SEBI guidelines mandate that officials of the AMC who are responsible for polling shall be personally liable for any misuse of the polling process. The governance process instituted with an oversight by the internal Valuation Committee is intended to ensure that the procedures and processes are followed for polling which are consistent with regulatory guidelines. The polling process which involves polls submitted by various officials along with submission to Valuation Committee of identified outlier quotes is intended to ensure that conflict of interest is mitigated and due processes are followed. The Valuation Committee may identify any potential instance of violation of processes/ abuse of polls, after due submission of concerned officials, that may require further reporting to the Board of AMC and Trustee.

Review

This policy will be reviewed on an annual basis and as and when deemed necessary.

AMFI GUIDELINES ON POLLING PROCESS FOR MONEY MARKET AND DEBT SECURITIES

Polling Guidelines:

1. Valuation agencies shall identify the Mutual Funds who shall participate in the polling process on a particular day, taking into account factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds who are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded at the time and subsequently made available during SEBI inspections. In this respect, since a Mutual Fund may have investments in similar securities, a security not forming part of investment universe may not be considered as an adequate reason for not participating in the polling process.
2. Polling will be carried out on a daily basis by the valuation agencies, in terms of points 9-11 below.
3. Each valuation agency needs to take polls from at least 5 unique Mutual Funds on a daily basis. Hence, between the two valuation agencies 10 unique Mutual Funds to be polled. They may cover more Mutual Funds, over and above this. For benchmark securities a poll constituting at least 5 responses will be considered as valid. In case of non-benchmark securities a poll constituting at least 3 responses will be considered as valid. The responses received by each valuation agency will be shared with the other agency also.
4. Median of polls shall be taken for usage in valuation process.
5. The valuation agencies will also need to cover as many non- Mutual Fund participants as possible, over and above the Mutual Funds, to improve on the polling output quality.
6. Endeavour would be made to have adequate representation of both holders and non-holders of the same bond/same issuer for non-benchmark securities in the poll process. Where this is not possible, valuation agencies may seek polls from holders of bonds with a similar structure.
7. In the case of issuers with multiple notch rating upgrades / downgrades over short periods of time, valuation agencies shall:
 - a. Conduct polls with a larger universe of pollers.
 - b. Increase the frequency of polling
8. Suo moto feedback on valuations should be entertained only through formal mails from persons designated by AMC for said purpose, and the same shall be validated through repolling. Any such feedback shall be duly recorded by the valuation agencies, including the reason for the challenge, results of repolling and subsequent changes in valuation on repolling, if any. Such records shall be preserved by the valuation agencies, for verification.
9. Polling will be done for two sets of securities, Benchmark & Others.
10. Benchmark will be defined for the following categories across tenors.
 - a) Treasury Bills
 - b) Central Government Securities

)

- c) State Government Securities
 - d) AAA PSU/PFI/PSUBanks
 - e) AAA Private
 - f) NBFC
 - g) HFC
 - h) Any other as required for improving fair valuations .
11. Polling shall be conducted in the following two scenarios:
- a) Validation of traded levels if they are outlier trades.
 - b) Non traded Securities (in exceptional circumstances as defined in the waterfall mechanism for valuation of money market and debt securities).
12. Best efforts should be made by poll submitters to provide fair valuation of a security.
13. The polling process will be revalidated by external audit of the valuation agencies with at least an annual frequency
14. AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials, with requisite knowledge and expertise, who shall be responsible for polling. Further, the policy should outline the following aspects:
- a. the process of participating in a polling exercise.
 - b. identify the roles and responsibilities of persons participating in the polling.
 - c. include policies and procedures for arriving at the poll submission
 - d. cover the role of the Board of AMC and Trustees, and the periodic reporting that needs to be submitted to them.
 - e. All polling should be preferably over email. In case for any reason, the polling is done by way of a telephonic call then such a call should be over recorded lines, followed subsequently by an email.
 - f. AMCs should have adequate business continuity arrangements for polling, with the necessary infrastructure / skill to ensure that consistent delivery of poll submissions is made without material interruption due to any failure, human or technical.
15. All polling done will have to be documented and preserved in format approved by the Board of AMC, for a period of eight years, along-with details of the basis of polling (such as market transactions, market quotes, expert judgement etc.).
16. AMCs shall ensure that participation in the polling process is not mis-used to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling in terms of point no. 14 above, shall also be personally liable for any misuse of the polling process.
17. AMCs shall maintain an audit trail for all polls submitted to valuation agencies.