



All Registered Housing Finance Companies

Dear Sir/Madam,

**Valuation of Approved Securities held by HFCs  
under Section 29B (1) of National Housing Bank Act, 1987**

In terms of the provisions of Section 29B(1) of the National Housing Bank Act, 1987, every housing finance institution is required to maintain investments in India in unencumbered approved securities, **valued at a price not exceeding the current market price of such securities**, an amount which at the close of business on any day shall be at least 6% of the deposits outstanding at the close of business on the last working day of the second preceding quarter.

2. With a view to putting in place a uniform practice for valuation of the approved securities towards compliance of the aforesaid provisions of the National Housing Bank Act, 1987, Housing Finance Companies (HFCs) shall adopt the following procedure for valuation of approved securities on a daily basis:

**(I) Quoted Securities:**

The 'market value' of such securities will be the price declared by Primary Dealers Association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

**(II) Unquoted Securities:**

**(a) Central Government Securities**

i) HFCs should value the unquoted Central Government securities on the basis of the prices / Yield to Maturity (YTM) rates put out by the PDAI / FIMMDA at periodical intervals.

ii) Treasury Bills should be valued at carrying cost.

**(b) State Government Securities**

State Government securities will be valued applying the YTM method by marking it up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by PDAI / FIMMDA periodically.

**(c) Other 'approved' Securities**

Other approved securities will be valued applying the YTM method by marking it up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by PDAI / FIMMDA periodically.

3. HFCs accepting/holding public deposits are advised to follow the above procedure for valuation of approved securities meticulously. Compliance may be confirmed.

Yours faithfully,

(A. P. Saxena)  
General Manager