



CIRCULAR

SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/49

April 11, 2022

All Mutual Funds/

Asset Management Companies (AMCs)/

Trustee Companies/Boards of Trustees of Mutual Funds/

Association of Mutual Funds in India (AMFI)

Sir/ Madam,

Subject: Risk value of commodities for risk-o-meter

1. SEBI, vide circular on 'Product Labeling in Mutual Fund schemes – Risk-o-meter' dated October 5, 2020, issued detailed guidelines for evaluation of risk levels of scheme for the purpose of risk-o-meter.
2. For evaluation of risk value of commodities in which mutual funds are permitted to invest, in terms of para 2(d) of SEBI circular on 'Product Labeling in Mutual Fund schemes – Risk-o-meter', it has been decided that investment in commodities by mutual fund schemes shall be assigned a risk score corresponding to the annualized volatility of the price of the said commodity. The annualized volatility shall be computed quarterly based on past 15 years' prices of benchmark index of the said commodity and risk score for the commodity shall be in terms of the following table:

Annualized volatility	Risk value on risk-o-meter (Risk)
<10%	3 (Moderate)
10-15%	4 (Moderately High)
15-20%	5 (High)
>20%	6 (Very High)



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Illustration: If price of gold has annualized volatility of 18% based on price of gold of past 15 years, then Gold and gold related instruments will have risk value of 5 (High) on risk-o-meter.

Accordingly, para 3(viii) of Annexure A to the said circular pertaining to risk value of gold and gold related instruments stands modified as above.

3. This circular shall come into force with immediate effect.
4. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulation, 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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