

DFIM Circular No. -05

Date: 11 May, 2015  
28 Baishakh, 1422

Chief Executives/ Managing Directors  
All Financial Institutions in Bangladesh

Dear Sir,

**Provision against unrealized loss for diminution of value of  
investment in Mutual Fund Units**

Financial Institutions (FIs) have to comply with the following instructions regarding the maintenance of provision against unrealized losses arising from investment in mutual fund units:

**A. For Closed-end Mutual Funds:**

1. FIs need not maintain any provision when the average cost price (CP) of a mutual fund is lower than or equal to the market value (MV) i.e.,  $CP \leq MV$ ; or lower than or equal to 85% of the net asset value at current market price ( $NAV_{cmp}$ ) i.e.,  $CP \leq NAV_{cmp} * 85\%$ ;
2. If the average cost price (CP) of a mutual fund unit is greater than market value (MV) i.e.,  $(CP > MV)$ ; or greater than 85% of net asset value ( $NAV_{cmp}$ ) at current market price i.e.,  $(CP > NAV_{cmp} * 85\%)$ , FIs will have to maintain provision as following-
  - a. when  $MV \geq NAV_{cmp} * 85\%$ , then-  
**Required Provision (RP) = CP - MV**
  - b. when  $MV < NAV_{cmp} * 85\%$ , then-  
**Required Provision (RP) = CP -  $NAV_{cmp} * 85\%$**

**B. For Open-end Mutual Funds:**

1. FIs need not maintain any provision when the average cost price (CP) of a mutual fund is lower than or equal to 85% of net asset value ((NAV<sub>cmp</sub>) at current market price i.e.,  $(CP \leq NAV_{cmp} * 85\%)$ .
2. FIs will maintain provision when the average cost price (CP) of a mutual fund is greater than 85% of net asset value ((NAV<sub>cmp</sub>) at current market price i.e.,  $(CP > NAV_{cmp} * 85\%)$  as following-  
**Required Provision (RP) = CP – NAV<sub>cmp</sub> \* 85%**

FIs will have to apply the latest NAV<sub>cmp</sub> calculated and disclosed as per article no. 60 of Securities and Exchange Commission (Mutual Fund) Rules, 2001.

This circular shall come into effect immediately.

Sincerely yours,



(Md. Shah Alam)  
General Manager  
Phone: 9530178