

THE FEDERATION OF BANK OF INDIA OFFICERS' ASSOCIATIONS

(REGD.No.7364)

Regd.Office: Bank of India Bldgs., 70-80, M.G.Road, Mumbai – 400 023.



OFFICE OF THE GENERAL SECRETARY,
C/o Bank of India, Patna (Main) Branch
Uday Bhawan, First Floor
Fraser Road, Patna – 800 001.
Phone:0612-2221048/9798987771
E-mail: fboioa.sectt@yahoo.com



Circular No. 2018/10

Date: 09.03.2018

FOR CIRCULATION AMONGST OUR MEMBERS

Dear Comrades,

Re: Indian Accounting Standards (Ind AS) - Implementation in Banking Sector w.e.f.01.04.2018.

We are forwarding the AINBOF Letter No. GS/MAR/2018/010 dated 09.03.2018 written to IBA on the above matter for your information & circulation amongst members.

With warm greetings,

Yours comradely,

(SUNIL KUMAR)
GENERAL SECRETARY

QUOTE:

**The Chairman
Indian Banks' Association
World Trade Centre, 6th Floor
Centre 1 Building,
World Trade Centre Complex,
Cuff Parade,
Mumbai - 400 005**

Dear Sir,

Sub: Indian Accounting Standards (Ind AS) - Implementation in Banking Sector w.e.f.01.04.2018.

The subject standards are proposed to be introduced in the Banking System w.e.f.01.04.2018 by Reserve Bank of India. We understand from media reports that you have taken up with Reserve Bank India for deferring its implementation. We wholeheartedly appreciate your stand on the issue. We also submit the following facts for your consideration.

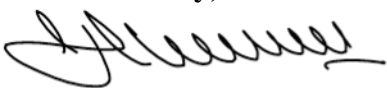
1. Indian Public Sector Banks are continuing to serve the masses and are the backbone for not only the economic development of the country but also the upliftment of millions of households in the past five decades of nationalisation.

2. The stellar role of PSBs in post liberalisation era since 1991 and the way the PSBs handled the balancing act of social objectives, directed lending, business expansion on the one hand and profitability, technology upgradation, depleting staff strength on the other hand merits undisputable appreciation.
3. The management of economic crisis of 2008 and its aftermath by the Indian Banking System especially the Public Sector Banks needs no elaboration and has been well documented by Shri.Raghuram Rajan, former RBI Governor in his book “A hundred Small Steps” and also in the Report of the World Bank.
4. Against this backdrop the current situation faced by the Public Sector Banks **is not** their own making but compounding of several factors which everyone in the industry, RBI and Finance Ministry is well aware of.
5. As the economy is slowly gathering pace and the NPAs are abating the prospects of turnaround of Public Sector Banks are on the horizon. Hence implementation of Ind-AS at this juncture will set back the Banking System by at least a decade and entirely jeopardizing their hopes of recovery.
6. Besides the provisions of Ind-AS also to be revisited in the Indian context instead of copying the norms which may be applicable in western countries but completely alien to the Indian environment.
7. The stringent asset impairment provisions, fair valuation norms will in all likelihood impair the Public Sector Banks only and increase their provisioning manifold and lead to increased expenses. This will entail more capital requirement and direct impact on profitability respectively.
8. Already, the Insurance Regulatory and Development Authority of India (IRDAI) has deferred the effective date for implementation of Ind-AS accounting model in the insurance sector to April 2020 from April 2018 fearing mismatch in the asset and liability valuation and volatility in the financial statements of the insurance companies.
9. Many of the big Banks are having Insurance companies as their Subsidiary. The insurance subsidiary of the banks need not prepare Balance Sheet as per new standard in view of the aforesaid IRDA decision. The principal objective of the Ind-AS is to bring in comparability in the Consolidated Balance Sheet and this very purpose will be defeated as banks will be forced to adopt 2 different standards. Banks having insurance subsidiary have to go with old format or have dual standard and banks not having subsidiary have to shift to new standard.

Hence we fervently appeal to you to take up with Reserve Bank of India and Government of India to stop the implementation of Ind-AS in the Banking System with effect from April 2018.

We also request that a committee of eminent members may be formed to suitably revisit the provisions of Accounting Standards and suggest recommendations suiting to Indian requirements and conditions.

Yours sincerely,



G V MANIMARAN
GENERAL SECRETARY

UNQUOTE