

## **Next on Banks' Agenda: New Accounting Norms**

Mumbai: Amid rising decibels of the demonetisation debate banks are silently preparing for an upcoming event: Ind AS 109 or Indian Accounting Standard, a global accounting practice that lenders are mandated to adopt that may lead to initial credit losses.

Banks including private sector ones like ICICI, HDFC and Axis are actively working on this as they have submitted estimates for such losses to Reserve Bank of India, which is now expected to come out with fresh guidelines on computation of expected credit losses (ECL), a key to banks' future earnings, three sources familiar with the matter told ET.

“The provisioning requirements under IFRS 9 (International Financial Reporting Standard) may be higher than what you are seeing today because we derive numbers on incurred losses rather than expected losses,” said Jairam Sridharan, CFO, Axis Bank. “There will be an incremental provisioning requirement which will result in higher capital necessity or banks capital ratios will go down because of increased level of provisioning.” “The industry needs to be prepared for that in some way and the regulator is thinking about it,” he said.

The central bank is currently evaluating these estimates before the final guidelines are put out, they said. Emails sent to RBI, ICICI Bank, HDFC Bank and Kotak Mahindra Bank seeking comments remained unanswered. Bankers ET spoke with said RBI has set up different working groups to assess the impact of various aspects of Ind AS 109. These multiple working groups are helping the RBI formulate its recommendations to be presented to the industry soon. Ind Accounting Standard is on par with the International Financial Reporting Standard (IFRS) 9. Indian banks are mandated to comply with it beginning April in 2018.

*(Economic Times)*