

RBI/2021-22/105

DOR.ACC.REC.57/21.04.018/2021-22

October 4, 2021

All Member Banks of the Indian Banks' Association
covered under the 11th Bipartite Settlement
and Joint Note dated November 11, 2020

Madam / Sir,

**Enhancement in family pension of employees of banks -
Treatment of additional liability**

The Indian Banks' Association (IBA) has approached us for the amortisation of the increased expenditure resulting from the revision in family pension for employees of its member banks covered under the 11th Bipartite Settlement and Joint Note dated November 11, 2020.

2. The additional liability on account of revision in family pension consequent to the aforementioned settlement should be fully recognised and charged to the Profit and Loss Account in the current financial year. However, IBA has expressed that it would be difficult for some banks to absorb the large amount involved in a single year.

3. We have examined the issues from a regulatory perspective, and as an exceptional case, it has been decided that banks covered by the aforementioned settlement may take the following course of action in the matter:

- a. The liability for enhancement of family pension shall be fully recognised as per applicable accounting standards.
- b. The expenditure, as indicated in paragraph 2 above, may, if not fully charged to the Profit and Loss Account during the financial year 2021-22, be amortised over a period not exceeding five years beginning with the financial year ending

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March 31, 2022, subject to a minimum of 1/5th of the total amount involved being expensed every year.

- c. Appropriate disclosures of the accounting policy followed in this regard shall be made in the 'Notes to Accounts' to the financial statements. The Notes to Accounts shall also disclose the amount of unamortised expenditure and the consequential net profit if the unamortised expenditure had been fully recognised in the Profit & Loss Account.

4. The [Reserve Bank of India \(Financial Statements - Presentation and Disclosures\) Directions, 2021](#) shall be accordingly updated.

Yours faithfully,

-sd-

(Neeraj Nigam)

Chief General Manager-in-Charge