



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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April 27, 2026

Reserve Bank of India (Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio)- Amendment Directions, 2026

Please refer to [Reserve Bank of India \(Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#) (hereinafter referred to as ‘the Directions’).

2. Consequent to the issuance of [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#) and in exercise of the powers conferred by the section 35A of the Banking Regulation Act, 1949 and all other laws enabling the Reserve Bank in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. The Amendment Directions modify the Directions as under:

(1) Paragraph 4 shall be modified to insert definitions (1A), (11A), (12A), (17A), (23A), (37A), (42A) as specified below:

- i. **(1A) ‘Amortised cost’** of a financial instrument means the amount at which the financial instrument is measured at a reporting date subsequent to initial recognition, after taking into account principal repayments and the cumulative amortisation, using the Effective Interest Rate method, of any difference between the amount at initial recognition and the maturity amount, adjusted for any loss allowance.
- ii. **(11A) ‘Effective interest rate (EIR)’** is the rate that exactly discounts estimated future cash payments or receipts flows through the expected life of the instrument to the gross carrying amount of a financial asset. It shall be computed as per the provisions of the [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#).

विनियमन विभाग, केंद्रीय कार्यालय, केंद्रीय कार्यालय भवन, 12वीं/ 13वीं मंज़िल, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400001

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हिंदी आसान हैं, इसका प्रयोग बड़ाइए

- iii. **(12A) 'Expected credit loss (ECL)'** means the weighted average of credit losses under different scenarios with the respective probabilities of the various scenarios as the weights. It shall be computed as per the provisions of the [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#).
- iv. **(17A) 'Gross carrying amount of a financial asset'** is the amortised cost of a financial asset, before adjusting for any loss allowance. It shall be computed as per the provisions of the [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#), unless otherwise specified.
- v. **(23A) 'Loss allowance'** means an accounting provision for ECL on financial instruments and shall be computed as per the provisions of the [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#), unless specified otherwise.
- vi. **(37A) 'Stage 1 / 2 / 3'** shall have the same meaning as defined in the [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#). It shall be computed as per the provisions of the aforesaid Directions.
- vii. **(42A) 'Transaction cost'** shall have the same meaning as defined in the [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#).

(2) The definition 4(4) shall be modified as below:

4(4) 'Carrying cost' in the context of zero-coupon discounted instruments such as Treasury Bills, Commercial Papers, Certificate of Deposits, and Zero-Coupon Bonds is the acquisition cost adjusted for the discount accrued using the effective interest rate method / at the rate prevailing at the time of acquisition, as applicable.

(3) The definition 4(14) shall be modified as below:

4(14) '**Financial asset**' means any asset that is:

- (a) cash;
- (b) an equity instrument of another entity; or
- (c) contractual right to receive cash, or another financial asset from another entity, or to exchange financial assets or financial liabilities with

another entity under conditions that are potentially favourable to the entity.

(4) Explanation to paragraph 35(2) shall be modified as below:

Explanation: 'Principal' for the purposes of determining eligibility under the SPPI criteria is fair value of security at initial recognition, and it may change over the life of the security based on repayment or amortisation using the EIR method.

(5) Paragraph 43 shall be modified as below:

43. A bank shall measure all investments at fair value on initial recognition. However, initial recognition for investments classified under HTM or AFS shall be at fair value plus or minus transaction costs that are directly attributable to the acquisition or origination of the financial asset unless otherwise specifically provided under these Directions.

Provided that, unless facts and circumstances suggest that the fair value is materially different from the acquisition cost, it shall be presumed that the acquisition cost is the fair value. The presumption of acquisition cost as fair value shall be tested under the following situations:

- (1) The transaction is between related parties (excluding transactions on NDS-OM);
- (2) The transaction is taking place under duress where one party is forced to accept the price in the transaction;
- (3) The transaction is done outside the principal market for that class of securities; or,
- (4) Other situations, where in the opinion of the supervisor, facts and circumstances warrant testing of the presumption.

(6) Paragraph 48 shall be modified as below:

48. A bank shall measure securities classified under HTM at amortised cost using the EIR method and such securities shall not be marked to market (MTM) after initial recognition.

Explanation:

i. EIR shall be computed as per the provisions of [Reserve Bank of India \(Commercial Banks-Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#).

ii. However, the fair value of the securities outstanding as on March 31, 2027, shall be the new gross carrying amount, for the purpose of transition to the aforesaid Directions. Any difference between the previous carrying amount and the fair value (adjusted for the impact of applicable taxes, if any) shall be adjusted to the Revenue / General Reserve and shall not be routed through Profit and Loss account. The EIR on such investments shall be computed based on the fair value as on March 31, 2027, and the remaining estimated future cash flows, and shall be applied prospectively from April 1, 2027. The bank shall recognise loss allowance on such investments based on the credit risk stage (Stage 1 / 2 / 3) as determined under the [Reserve Bank of India \(Commercial Banks-Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#).

These securities shall be subject to income recognition, asset classification, and provisioning norms as specified in paragraphs 95 to 104 of these Directions.

(7) Paragraph 49 shall stand deleted.

(8) Paragraph 50 shall be modified as below:

50. A bank shall fair value securities classified under AFS at least on a quarterly basis, if not more frequently. The discount or premium on the acquisition of debt securities under AFS shall be amortised using the EIR method.

(9) Paragraph 51 shall be modified as below:

51. A bank shall aggregate the valuation gains and losses across all Stage 1 and Stage 2 investments held under AFS, irrespective of classification (e.g., Government Securities, Other approved securities, Bonds, and Debentures). The net appreciation or depreciation (adjusted for the effect of applicable taxes, if any) shall be directly credited or debited to a reserve named AFS-Reserve without routing through the Profit & Loss Account.

(10) Paragraph 57 shall stand deleted.

(11) Paragraph 61(1) shall be modified as below:

(1) Where the investment is held under HTM, the amortised cost shall be the revised carrying value.

(12) Paragraph 62(1) shall be modified as below:

(1) Where the investment is reclassified into HTM, the fair value on the date of such reclassification is the new gross carrying amount. The difference between the fair value and previous carrying value shall be transferred to Profit and Loss Account. The EIR applicable to investments reclassified to HTM shall be computed on the date of reclassification based on the gross carrying amount on that date and the remaining estimated future cash flows. The bank shall recognise the loss allowance based on the credit risk stage (Stage 1 / 2 / 3) of the investment as determined on the date of reclassification.

(13) Paragraph 62(2) shall be modified as below:

(2) Where the investment is reclassified into AFS or FVTPL, the fair value on the date of such reclassification shall be the revised carrying value. The difference between the revised and previous carrying value shall be transferred to AFS-Reserve and Profit and Loss Account, in case of reclassification into AFS and FVTPL respectively. The EIR applicable to investments reclassified as AFS debt securities shall be computed on the date of reclassification based on the fair value on that date and the remaining estimated future cash flows. The bank shall recognise the loss allowance on such investments based on the investment's credit risk stage (Stage 1 / 2 / 3) as determined on the date of reclassification.

(14) FAQ 23 shall stand deleted.

(15) The table under Paragraph 68 shall be modified as below:

| Sl. No. | From | To | Accounting Treatment |
|----------------|-------------|-----------|---|
| a | HTM | AFS | <p>The fair value measured at the reclassification date shall be the revised carrying value.</p> <p>Any gain or loss arising from a difference between the fair value (i.e. revised carrying value) and the previous carrying value (i.e., amortised cost) shall be recognised in AFS-Reserve. The EIR and the measurement of ECL should not be adjusted as a result of the reclassification.</p> |

| Sl. No. | From | To | Accounting Treatment |
|---------|-------|-------|--|
| b | | FVTPL | <p>The fair value measured at the reclassification date shall be the revised carrying value.</p> <p>Any gain or loss arising from a difference between the fair value (i.e., revised carrying cost) and previous amortised cost shall be recognised in the Profit and Loss Account under Item (III): '<i>Profit on revaluation of investments</i>' under Schedule 14: '<i>Other Income</i>'.</p> |
| c | AFS | HTM | <p>The investments are reclassified at their fair value at the reclassification date. However, the cumulative gain / loss previously recognised in the AFS-Reserve shall be withdrawn therefrom and adjusted against the fair value of the investments at the reclassification date to arrive at the revised carrying value. Thus, the investments are measured on the reclassification date as if they have always been measured at amortised cost. The EIR and the measurement of ECL should not adjusted as a result of the reclassification.</p> |
| d | | FVTPL | <p>The investments shall continue to be measured at fair value.</p> <p>The cumulative gain or loss previously recognised in AFS-Reserve shall be withdrawn therefrom and recognised in the Profit and Loss Account, under Item (III): '<i>Profit on revaluation of investments</i>' under Schedule 14: '<i>Other Income</i>'.</p> |
| e | FVTPL | HTM | <p>The carrying amount representing the fair value on the reclassification date becomes the new gross carrying amount and the EIR is determined based on that gross carrying amount. For the purpose of recognising ECL, the credit risk of the investments at the reclassification date becomes the credit risk against which future changes in credit risk shall be compared.</p> |
| f | | AFS | <p>The investments shall continue to be measured at fair value.</p> <p>However, for the purposes of applying the EIR, the fair value of investments on reclassification date becomes the new gross carrying amount and the EIR is determined based on that gross carrying amount. For the purpose of recognising ECL, the credit risk of the investments at the reclassification date becomes the credit risk against which future changes in credit risk shall be compared.</p> |

(16) Paragraph 95 shall be modified as below:

95. Income recognition for securities invested starting April 01, 2027 and onwards classified under HTM or are debt securities classified under AFS, shall be as per the provisions of the [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#).

Explanation: Debt securities in this context means securities that meet the SPPI criterion.

(17) Paragraph 95 A shall be inserted as below:

95A. However, as regards the securities classified under HTM or debt securities under AFS, outstanding as on March 31, 2027, the fair value of the securities, as on March 31, 2027, shall be considered as the new gross carrying amount, for the purpose of transition to [Reserve Bank of India \(Commercial Banks - Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#).

- (1) Any difference between the previous carrying amount and the fair value (net of applicable taxes, if any) shall be adjusted in Revenue / General Reserve.
- (2) The EIR on such investments shall be computed based on the fair value as on March 31, 2027, and the remaining estimated future cash flows, and shall be applied prospectively from April 1, 2027.
- (3) The bank shall recognise loss allowance on such investments based on the credit risk stage (Stage 1 / 2 / 3) as determined on the date of transition to Reserve Bank of India (Commercial Banks-Asset Classification, Provisioning and Income Recognition) Directions, 2026. The bank shall ensure that the necessary adjustments arising out of transition to the EIR framework are duly recognized in their financial statements.

(18) Paragraph 96A shall be inserted as specified below:

96A. A bank shall recognize income on accrual basis on shares of corporate bodies provided dividend has been declared by the corporate body in its Annual General Meeting and the owner's right to receive payment has been established.

(19) Paragraph 97 shall be modified as below:

97. Subject to paragraph 96A above, dividend income on equity investments held under AFS shall be recognised in the Profit and Loss Account

(20) Paragraph 98 shall stand deleted.

(21) Paragraph 99 shall be modified as below:

99. The criterion used to recognise credit impairment / loss allowance on investments classified under HTM and debt securities classified under AFS shall be governed by the provisions of the [Reserve Bank of India \(Commercial Banks-Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#). Further, the criteria used to classify an asset as Non-Performing Asset (NPA) shall also be used for classification of an investment as a Non-Performing Investment (NPI) as per the [Reserve Bank of India \(Commercial Banks-Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#). Similarly, upgradation of investments from Stage 3 to Stage 2 / Stage 1 and upgradation of an NPI to standard shall be as per the criteria specified in the aforesaid Directions.

- (1) In respect of debt instruments such as bonds or debentures, an NPI is one where interest / instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.
- (2) Paragraph 99(1) above shall apply, mutatis mutandis to preference shares where the fixed dividend is not paid. If the dividend on preference shares (cumulative or non-cumulative) is not declared / paid in any year it shall be treated as due / unpaid in arrears and the date of Balance Sheet of the issuer for that particular year shall be reckoned as due date for the purpose of asset classification. Such an investment can be upgraded subsequently on payment of dividend for the current period in the case of non-cumulative preference shares and payment of dividend in arrears and for current period in the case of cumulative preferences shares.
- (3) In the case of equity shares, in the event the investment in the shares of any company is valued at ₹1 per company on account of the non-availability of the latest Balance Sheet in accordance with paragraph 80 of these Directions, those equity shares shall be reckoned as NPI. The NPI can be upgraded subsequently on receipt of audited Balance Sheet.
- (4) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities, including preference shares issued by

the same issuer shall also be treated as NPI and vice versa. However, this stipulation shall not be applicable in cases where only the preference shares are classified as NPI, and in such cases, the investment in any of the other performing securities issued by the same issuer need not be classified as NPI and any performing credit facilities granted to that borrower need not be treated as NPA.

(22) Paragraph 100 shall be modified as below:

100. Once an investment is classified as Stage 3 asset / NPI, it should be segregated from rest of the portfolio and not considered for netting valuation gains and losses.

(23) FAQ 28 shall be modified as below:

FAQ 28: Paragraph 99(5) of the Directions prescribe that in case of conversion of principal and / or interest into equity shares, debentures, bonds, etc., such instruments shall be classified in the same asset classification category as the loan and provision shall be made as per the norms. Further, if post conversion, the classification is upgraded as per the Reserve Bank of India (Commercial Banks-Asset Classification, Provisioning and Income Recognition) Directions, 2026, the investment shall be categorised in HTM, AFS, or FVTPL (including HFT) as per the requirements of paragraphs 33 to 42 of these Directions. Does this imply that the bank shall be allowed to classify these securities under HTM, AFS, or FVTPL (including HFT) only upon upgradation and not at initial recognition? Also, clarity is required on what is meant by the segregation of such Stage 3 / NPI investments from the rest of the portfolio?

Ans:

a. In partial modification to the Paragraph 99(5), it is clarified that the equity shares, debentures, bonds, etc., received upon conversion of principal and / or interest shall, be classified under HTM, AFS, or FVTPL (including HFT) only at initial recognition (i.e., when the loan is derecognised and the bond / equity, etc. is recognised), as per Chapter IV of the Directions. A bank may, however, note that the asset classification of such instruments shall be the same as the loan and provisions made accordingly as stated in paragraph 99(5) of these Directions.

b. The paragraph 100 of the Directions prescribes that once an investment becomes Stage 3 / NPI, it should be segregated from rest of the portfolio and

not considered for netting valuation gains and losses. It is clarified that the 'segregation from the rest of the portfolio' in this context means that such investments shall be segregated from other investments within the same category [i.e., HTM, AFS, or FVTPL (including HFT)] under which it was classified at initial recognition. Reclassification of the securities shall be guided by provisions of paragraphs 66 to 68 of these Directions.

(24) Paragraph 101 shall be modified as below:

101. A bank shall not accrue any income on NPIs and Stage 3 assets. Income shall be recognised only on realisation of the same. Further, any MTM appreciation in the security shall be ignored.

(25) Paragraph 102 shall be modified as below:

102. Irrespective of the category (i.e., HTM, AFS, or FVTPL (including HFT)) in which the investment has been placed, the expense for the provision for impairment shall always be recognised in the Profit and Loss Account. The provision / loss allowance to be held on investments categorised under HTM or debt securities under AFS shall be subject to the provisions of the [Reserve Bank of India \(Commercial Banks-Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#). Further, the provisions to be maintained on investments placed under FVTPL which have become NPI, shall also be as specifically stated under [Reserve Bank of India \(Commercial Banks-Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#).

Provided that in the case of an investment categorised under AFS against which there are cumulative gains in AFS-Reserve, the provision required may be created by charging the same to AFS-Reserve to the extent of such available gains.

Provided further that in the case of an investment categorised under AFS against which there are cumulative losses in AFS-Reserve, the cumulative losses shall be transferred from AFS-Reserve to the Profit and Loss Account.

(26) Paragraph 103 shall be modified as below:

103. Upon an account being upgraded as per [Reserve Bank of India \(Commercial Banks-Asset Classification, Provisioning and Income Recognition\) Directions, 2026](#), any excess provision previously recognised shall be reversed and symmetric recognition of MTM gains and losses, wherever applicable, can resume.

(27) Paragraph 104 shall be modified as below:

104. Investments in Government Securities and Government guaranteed investment.

(1) A bank shall not classify its investment in Central Government Securities and SLR eligible State Government Securities as NPI.

(2) A bank shall not classify investments in Central Government guaranteed securities as NPI unless the Central Government has repudiated the guarantee when invoked. In respect of such securities held in AFS and FVTPL, a bank shall continue to recognise MTM gains / losses in AFS-Reserve and Profit and Loss respectively. However, any income shall be recognised only on realisation basis.

(3) A bank shall classify its investment in State Government non-SLR securities as NPI and apply prudential norms for identification of NPI and provisioning, if interest / instalment of principal (including maturity proceeds) or any other amount due to the bank remains unpaid for more than 90 days.

(28) Under **Annex II : Guidance on Journal Entries**, the initial Note shall be modified as below:

Note: The guidance on journal entries is prepared for illustrative purposes only to aid a bank in its understanding of the Directions. A bank may modify them suitably for its accounting systems while ensuring compliance with the Directions. For simplicity, while preparing illustrations, the effect of taxation or provisioning has been ignored.

(29) Under **Annex II : Guidance on Journal Entries, the Q No. 1** shall be modified as below:

Day 1 Loss in HTM and amortisation of discount

Q.No.1: A bank has acquired a debt security with the objective to hold till maturity (HTM). The security meets the SPPI criteria with following particulars:

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹95, Fair Value at time of acquisition: ₹75

How is the discount on a debt security determined? How will the discount be amortised ?

(Refer Paragraphs 45 and 49 of Directions)

Ans: At initial recognition, there is a Day 1 loss of ₹20 which needs to be recognised immediately. Consequently, the value at which the security is recognised is ₹75. The accounting entries on the date of acquisition would be as under:

| | Particulars | Debit (₹) | Credit (₹) |
|------------------------|--|-----------|------------|
| At initial recognition | Investment Dr. | 75 | |
| | Day 1 Loss (P&L) Dr. | 20 | |
| | To Cash/ Bank | | 95 |
| | (Being acquisition of security of face value ₹100 and fair value ₹75 for ₹95.) | | |

The discount (i.e., difference between Face Value and amount initially recognised in the books) is ₹25. This can be amortised over the remaining maturity on EIR basis. The EIR has been assumed to be 11.92%

The accounting entries would be as under:

| | Particulars | Debit (₹) | Credit (₹) |
|--|---|-----------|------------|
| March 31, 20X1 Interest earned for remaining years may be recognised using similar principle. | Investment Dr. | 3.94 | |
| | Cash/ Bank Dr. | 5 | |
| | To Interest earned (P&L) | | 8.94 |
| | (Being receipt of coupon and accrual of discount) | | |

(30) Under **Annex II : Guidance on Journal Entries**, the Q No. 2 shall be substituted as below:

Carrying value under AFS

Q.No.2: A bank has acquired a debt security on 1-April-X1 having following particulars and meeting SPPI criterion.

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹90, Fair Value at time of acquisition: ₹90
- Fair value as at 31-Mar-X2 = ₹88

- Fair value as at 31-Mar-X3 = ₹96
- Fair value as at 31-Mar-X4 = ₹98 and security is sold on 31-Mar-X4 at fair value of ₹98. EIR has been assumed to be 7.47%.

The security is held under AFS.

(Refer Paragraph 50 and 51 of Directions)

Ans:

The accounting entries on the date of acquisition would be as under:

| | Particulars | Debit (₹) | Credit (₹) |
|------------|--|-----------|------------|
| 1-April-X1 | Investment Dr. To Cash/ Bank (Being acquisition of security of face value ₹100 and fair value for ₹90) | 90 | 90 |

At each reporting date, movement of carrying value of the debt security would be as under:

| Reporting Date | Opening Amortised cost of investment | Interest income (calculated using EIR) | Cash inflow (Coupon Receipt) | Closing Amortised cost | Fair value of investment at reporting date | Gain/loss recognised in AFS-Reserve | Closing Carrying value of investment | Accumulated gain / loss in AFS-Reserve |
|----------------|--------------------------------------|--|------------------------------|------------------------|--|-------------------------------------|--------------------------------------|--|
| (a) | (b) | (c) | (d) | (e) = (b)+(c)-(d) | (f) | (h) = (f) - (e) | (i) = (e) + (h) | (j) |
| 31-Mar-X2 | 90 | 6.72 | 5 ¹ | 91.72 | 88 | -3.72 | 88 | -3.72 |
| 31-Mar-X3 | 91.72 | 6.85 | 5 | 93.57 | 96 | 2.43 | 96 | -1.29 |
| 31-Mar-X4 | 93.57 | 6.99 | 103 ² | 95.56 | - | - | - | 1.15 |

The accounting entries would be as under:

| | Particulars | Debit (₹) | Credit (₹) |
|------------------|---|-----------|------------|
| 31-Mar-X2 | Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on the investment) | 5 1.72 | 6.72 |
| | AFS-Reserve Dr To Investment (Being fair value loss on investment recognised in AFS-Reserve) | 3.72 | 3.72 |

¹ Receipt of coupon on debt security i.e., 5% of ₹100 = ₹5

² Includes cash inflow on sale of investment of ₹98 and coupon of ₹5

| | Particulars | Debit (₹) | Credit (₹) |
|------------------|--|-------------|-----------------|
| 31-Mar-X3 | Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on the investment) | 5 1.85 | 6.85 |
| | | | |
| | Investment Dr To AFS-Reserve (Being fair value gain on investment) recognised in AFS-Reserve | 2.43 | 2.43 |
| | | | |
| 31-Mar-X4 | Investment Dr. Interest accrued Dr. To Interest earned (P&L) (Being accrual of coupon and discount on the investment) | 1.99 5 | 6.99 |
| | | | |
| | Cash/ Bank Dr. AFS-Reserve Dr. To Investment To Interest accrued To P&L (Being receipt of coupon and sale proceeds, accrual of discount and recycling of gains accumulated in AFS-Reserve to P&L A/C) | 103 1.15 | 98 5 1.15 |

(31) Under **Annex II : Guidance on Journal Entries**, the Q No. 3 shall be substituted as below:

Carrying value under FVTPL

Q.No.3: A bank has acquired a debt security on 1-April-X1 having following particulars for trading.

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹90, Fair Value at time of acquisition: ₹90
- Fair value as at 31-Mar-X2 = ₹95
- Fair value as at 31-Mar-X3 = ₹92

(Refer Paragraph 56 to 58 of Directions)

Ans:

The accounting entries on the date of acquisition would be as under:

| | Particulars | Debit (₹) | Credit (₹) |
|------------|--|-----------|------------|
| 1-April-X1 | Investment Dr. To Cash/ Bank (Being acquisition of security of face value ₹100 and fair value for ₹90) | 90 | 90 |

As the debt security is acquired for trading, it shall be classified under HFT. The movement in carrying value of security would be as under:

| Reporting Date | Opening Carrying value of investment | Interest income | Cash inflow (Coupon Receipt) | Carrying value of investment | Fair value of investment at reporting date | Fair value gain/loss recognised in P&L A/C | Closing Carrying value of investment |
|----------------|--------------------------------------|-----------------|------------------------------|------------------------------|--|--|--------------------------------------|
| (a) | (b) | (c) | (d) | (e)= (b)+(c)-(d) | (f) | (h) = (f) - (e) | (i)=(e)+(h) |
| 31-Mar-X2 | 90 | 5 | 5 | 90 | 95 | 5 | 95 |
| 31-Mar-X3 | 95 | 5 | 5 | 95 | 92 | -3 | 92 |

The accounting entries would be as under:

| | Particulars | Debit (₹) | Credit (₹) |
|-----------|--|-----------|------------|
| 31-Mar-X2 | Cash/ Bank Dr. To Interest earned (P&L) (Being receipt of coupon on the investment) | 5 | 5 |
| | Investment Dr To Profit on revaluation of investments (P&L) (Being fair valuation on security) | 5 | 5 |
| 30-Mar-X3 | Cash/ Bank Dr. To Interest earned (P&L) (Being receipt of coupon on the investment) | 5 | 5 |
| | Loss on revaluation of investment (P&L) Dr. To Investment (Being fair valuation of Security) | 3 | 3 |

(32) Under **Annex II : Guidance on Journal Entries**, the Q No. 4,5,6 and 7 shall stand deleted.

The above amendments shall come into force from April 01, 2027.

(Vaibhav Chaturvedi)
Chief General Manager