

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 3655

To be answered on the 8th August 2022/Sravana 17, 1944 (Saka)

Valuation of Banks Investments

3655. SHRI VELUSAMY P.:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has proposed a new category for classifying securities for valuation of investment made by Banks - Fair Value Through Profit & Loss Account (FVTPL);
- (b) if so, the details thereof;
- (c) whether the securities held in FVTPL shall be fair valued and the resultant gains/losses will be directly debited/credited to the Profit & Loss Account at present and if so, the details thereof;
- (d) whether the Government proposes to allow all Government securities to be classified as “maturity category” instead of “Available for Sale”; and
- (e) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) to (b): Reserve Bank of India (RBI) Discussion Paper issued on 14.01.2022, proposes three categories of securities for valuation of investment made by banks. ‘Held to Maturity’ (HTM) and ‘Available for Sale’ (AFS) are existing categories. A new category viz., ‘Fair Value Through Profit and Loss Account’ (FVTPL), has been proposed. All investments that do not qualify for inclusion in HTM or AFS, shall be included in this new category. Within FVTPL category, ‘Held for Trading’ (HFT) shall be a sub-category aligned with the specifications of ‘Trading Book’ to be specified by the RBI as part of its capital adequacy framework.

(c): As per the Discussion Paper, the securities held in FVTPL shall be fair valued and the resultant Marked to Market (MTM) gains/losses shall be directly credited/debited to the Profit and Loss Account. Securities held within the HFT sub-category shall be subject to daily MTM while other securities within FVTPL shall be subject to MTM on at least a quarterly, if not more frequent, basis.

(d) and (e): As per the Discussion Paper, Government Securities may be classified under HTM, AFS or FVTPL category depending upon the criteria specified therein.
