

**Chairmen / Chief Executive Officers
All Commercial Banks
(Excluding RRBs)**

**Draft revised guidelines on
classification and valuation of investments**

While allowing banks to shift their investments in SLR securities to the 'Held to Maturity' category in September 2004, they were advised that the Reserve Bank of India is setting up an Internal Group to review the existing guidelines on classification and valuation of investment portfolio by banks and align them with the international best practices taking into account the current level of risk management practices in banks in India. An Internal Group was constituted to review the existing guidelines on classification and valuation of investment portfolio by banks to align these with the Accounting Standard proposed to be issued by ICAI as well as international standards. The Group focused on dovetailing the provisions of IAS 39 with the prevailing prudential guidelines relating to classification and valuation of investments, taking into account the unique country-specific circumstances.

2. It was also indicated in Paragraph 175 of the Annual Policy Statement for the year 2006-07 that the above report has been referred to experts for comments and on the basis of the feedback received, draft guidelines would be prepared and placed on the Reserve Bank's website for wider dissemination and comments.

3. The draft guidelines were also submitted for feedback/ advice of the Standing Technical Advisory Committee on Financial Regulation (STACFR). The draft guidelines have been suitably modified in light of the feedback received from experts/ STACFR and are being issued as a draft for feedback from all concerned. The draft will be open for comments for a period of six weeks. Comments on the draft guidelines may be addressed to the

undersigned at the address given below. Comments can also be sent by e-mail to kdamodaran@rbi.org.in and minalajain@rbi.org.in.

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Yours faithfully,

(Prashant Saran)
Chief General Manager-in-Charge