

RBI/2006-2007/327

DBOD.No. BP.BC. 81 / 21.04.018/ 2006-07

April 18, 2007

All Scheduled Commercial Banks  
(excluding RRBs)

Dear Sir,

**Guidelines - Accounting Standard 17( Segment Reporting) –  
Enhancement of disclosures**

Please refer to our circular DBOD.No.BP. BC. 89 /21.04.018/2002-03 dated March29, 2003 in terms of which banks are required to adopt the three business segments viz. 'Treasury', 'Other Banking Business' and 'Residual' as the uniform business segments and 'Domestic' and 'International' as the uniform geographic segments for the purpose of segment reporting under AS-17. While issuing the guidelines, banks were advised that while the above would be the minimum disclosures that they may have to make, they should initiate measures to move towards greater disclosures within a defined time period.

2. The above guidelines have been reviewed in the light of the need for greater transparency requiring banks to make more disclosures under segment reporting. As the segment of 'Other Banking Business' is very broad and does not lend sufficient transparency to the balance sheet, it has been decided to divide this segment into the following three viz. Corporate/ Wholesale Banking, Retail Banking and Other Banking Operations. Accordingly, banks will adopt the following business segments for public reporting purposes, from March 31, 2008:

- a) Treasury
- b) Corporate / Wholesale Banking, (*new*)
- c) Retail Banking, (*new*)
- d) Other Banking Business

The geographical segments will remain unchanged as 'domestic' and 'international'.

3. An indicative list of items to be included under each category is as under:

**(a) Treasury**

'Treasury' for the purpose of Segment Reporting should include the entire investment portfolio.

### **(b) Retail Banking**

The Retail Banking would include exposures which fulfil the following four criteria of orientation, product, granularity and low value of individual exposures for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework":

- (i) *Orientation criterion* - The exposure is to an individual person or persons or to a small business; Person under this clause would mean any legal person capable of entering into contracts and would include but not be restricted to individual, HUF, partnership firm, trust, private limited companies, public limited companies, co-operative societies etc. Small business is one where the total annual turnover is less than Rs. 50 crore. The turnover criterion will be linked to the average of the last three years in the case of existing entities and projected turnover in the case of new entities.
- (ii) *Product criterion* - The exposure takes the form of any of the following: revolving credits and lines of credit (including overdrafts), term loans and leases (e.g. instalment loans and leases, student and educational loans) and small business facilities and commitments.
- (iii) *Granularity criterion* - No aggregate exposure to one counterpart should exceed 0.2% of the overall retail portfolio. 'Aggregate exposure' means gross amount (i.e. not taking any benefit for credit risk mitigation into account) of all forms of debt exposures (e.g. loans or commitments) that individually satisfy the three other criteria. In addition, 'one counterpart' means one or several entities that may be considered as a single beneficiary (e.g. in the case of a small business that is affiliated to another small business, the limit would apply to the bank's aggregated exposure on both businesses).
- (iv) *Low value of individual exposures*. The maximum aggregated retail exposure to one counterpart should not exceed the absolute threshold limit of Rs.5 crore.

*Note: It is clarified that individual housing loans will also form part of Retail Banking segment for the purpose of reporting under AS-17.*

### **(c) Corporate /Wholesale Banking**

Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under 'Retail Banking'.

### **(d) Other Banking Business**

'Others Banking Business' would include all other banking operations not covered under 'Treasury, 'Wholesale Banking' and 'Retail Banking' segments. It will also include all other residual operations such as para banking transactions/activities.

4. The format for disclosure under segment reporting may be modified to include the new segments referred to above.
5. Besides the above mentioned segments, banks should report additional segments which meet the quantitative criterion prescribed in the AS 17 for identifying reportable segments.
6. The disclosure requirement will come into force from the reporting period ending March 31, 2008. Disclosure of the previous year figures will not be necessary in the first year of reporting under the revised format.

Yours faithfully,

(Prashant Saran)  
Chief General Manager-in-Charge