



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RPCD.CO RRB.BC.No. 70 /03.05.33/2010-11

May 16, 2011

The Chairmen

All Regional Rural Banks (RRBs)

Dear Sir,

Enhancement in gratuity limits - Prudential Regulatory Treatment

Consequent upon the enhancement in gratuity limits following the amendment to Payment of Gratuity Act 1972, RRBs have approached us for the amortisation of the enhanced expenditure resulting therefrom.

2. The additional liability on account of enhancement in gratuity limits should be fully recognised and charged to Profit and Loss Account for the financial year 2010-11.

3. However, RRBs have expressed that it would be difficult for them to absorb the large amount involved in a single year. We have examined the issue from a regulatory perspective and it has been decided that RRBs may take the following course of action in the matter:

- a. The expenditure, as indicated in paragraph 2 above, may, if not fully charged to the Profit and Loss Account during the financial year 2010-11, be amortised over a period of five years {subject to (b) below} beginning with the financial year ending March 31, 2011 subject to a minimum of 1/5th of the total amount involved every year.
- b. The unamortised expenditure carried forward as aforementioned shall not include any amounts relating to separated/retired employees.

4. Appropriate disclosures of the accounting policy followed in this regard may be made in the 'Notes to Accounts' to the financial statements.

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5. Please acknowledge receipt of this circular to our Regional Office concerned.

Yours faithfully

(C.D.Srinivasan)
Chief General Manager

Encls: As above