



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2021-22/95

DOR.GOV.REC.44/29.67.001/2021-22

August 30, 2021

**All Private Sector Banks (including Local Area Banks, Small Finance Banks, Payments Banks) and Foreign Banks operating in India**

Dear Sir/Madam,

**Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff - Clarification**

Please refer to para 2.1.2 (f) of our [circular DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 04, 2019](#) on the captioned subject. In terms of the extant guidelines, share-linked instruments are required to be fair valued on the date of grant using Black-Scholes model. However, it has been observed that banks do not recognise grant of the share-linked compensation as an expense in their books of account concurrently. Therefore, in the interest of better clarity, the following sentence is being added to the extant instructions contained in the said paragraph:

**“The fair value thus arrived at should be recognised as expense beginning with the accounting period for which approval has been granted”.**

2. Banks should ensure compliance to above instructions for all share-linked instruments granted after the accounting period ending March 31, 2021.

Yours faithfully,

**(Shrimohan Yadav)**  
**Chief General Manager**