



International Financial Services Centres Authority

F.No.383/IFSCA/IFSC RULE BOOK/IFRS/ IRAC NORMS/1

July 30, 2021

To, All IFSC Banking Units (IBUS/BU)

Dear Sir/Madam,

Subject: Accounting Standard to be followed by IFSC Banking Units (IBUs) for the purpose of IFSCA regulatory reporting and compliance

Adopting a uniform set of accounting standards is one of the essential steps towards achieving uniformity and enhanced international comparability in financial reporting.

2. The International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) are accounting standards that are widely accepted and implemented in a large number of jurisdictions across the world. The IFRS system comprising of a comprehensive set of 'high quality' standards are aimed at improving the quality and transparency in the presentation of financial information.

3. It is advised that IBUs shall follow the IFRS accounting standards issued by the IASB, including any new amendments thereto, for preparing and maintaining its financial statements on standalone basis and for the purpose of reporting and compliance under the relevant IFSCA regulations, rules, directions, circulars and guidelines applicable for IBUs.

4. The financial year (accounting period) for the purpose of preparation of financial statements by the IBUs on standalone basis, under the IFRS, shall be taken as the period from April 1 to March 31. The IFSCA may permit an IBU to follow a different financial year (accounting period) based on the specific requests from such IBUs and merits of each case.

5. The implementation of IFRS is likely to impact the extant financial reporting systems and processes of IBUs, especially in the cases where their parent banks are not following the IFRS or IFRS-compliant accounting standards. Thus, the IBUs may require to carry out a detailed assessment of the likely impact and ensure a smooth transition to the IFRS, as applicable.

6. The IBUs whose parent banks are following the IFRS, may continue to prepare and maintain their standalone financial statements also as per the IFRS, for the purposes of reporting and

other compliance with the IFSCA regulations, rules, directions, circulars, guidelines. Such IBUs may prepare their standalone financial statements from the beginning of the quarter / half-year starting from October 1, 2021, if not being done from the previous periods.

7. The IBUs whose parent banks are following accounting standards other than the IFRS, shall prepare and maintain their standalone financial statements and comply with the reporting and other requirements under IFSCA regulations, rules, directions, circulars, guidelines, as per the IFRS, beginning from the financial year (accounting period) starting from April 1, 2022.

8. The IFSCA may permit an IBU to follow a system of accounting standards, other than the IFRS, that is applicable for its parent bank, based on the specific requests from such IBUs. The IFSCA shall consider such requests based on the merits of each case, including the aspect related to the degree and quality of convergence of such accounting standards vis-à-vis the IFRS.

9. These Directions are issued under Section 4 of the International Financial Services Centres Authority (Banking) (Second Amendment) Regulations, 2021. For other prudential regulations, IBUs shall continue to comply with the directions and instructions issued by their respective Home Regulators, unless otherwise specified by the Authority.

10. IBUs are directed to ensure compliance to the directions this circular.

Yours faithfully

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