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New accounting standard put off at last minute

Banks get more time to comply with SAS 33, which requires recognition of financial instruments at fair market value

By LEE SU SHYAN

FINANCIAL institutions have succeeded in lobbying the local accountants' body for a last-minute deferral of a complex new accounting standard on financial instruments.

The proposed new standard — involving the recognition of financial instruments at fair market value — has been put off "until further notice" after being dogged by controversy for the past year.

The effective starting date for implementation for many banks actually passed on Jan 1 this year.

But many banks had apparently underestimated the resources they required to change their reporting system and were simply not prepared on time.

According to the Institute of Certified Public Accountants of Singapore (Icpas), the Association of Banks had already lobbied for more time.

They "represented that financial institutions are finding that they need more time to modify their internal systems, documentation and policies to enable SAS 33 compliance", the Icpas press statement said yesterday.

SAS 33 refers to Statement of Accounting Standard No 33, the new standard's technical name.

An added obstacle for foreign banks is that there are "modifications to the internal systems...initiated and dictated by head office".

Therefore unless the head office has adopted the standard, implementing SAS 33 will require the entire global operation to examine the implementation.

According to Icpas, only in the United States is a similar standard in effect already.

SAS 33 was to apply to companies with financial years beginning on or after July 1, 2001.

But with many banks having a December year-end, they had to bite the bullet only from Jan 1 this year.

Icpas said yesterday: "In view of the practical difficulties...the council has decided to defer the effective date for adoption of SAS 33 until further notice."

However, it added: "Enterprises that are able to adopt SAS 33 are encouraged to do so."

Yesterday's announcement seemed to take some players by surprise.

When contacted yesterday, an OCBC Bank spokesman was not aware of the deferral. The spokesman said: "We are still on track to implement the accounting standard as of Jan 1, 2002."

DBS said it "is reviewing the implication of the deferment of the adoption of SAS 33".

But other banks were not affected. US giant Citibank said: "We have been adhering to the US standard since last year."

Citibank added that the preparatory work involved took about 12 months.

SAS 33

IT IS a new accounting standard that was to be adopted for financial years beginning on or after July 1 last year.

With many companies having a December year-end, its implementation was to have been for the fiscal year which began on Jan 1 this year.

The standard requires all financial instruments, including derivatives, to be reflected at fair market value, regardless of whether they are held for the short term or long term.

As the market values of these instruments change, there will be greater earnings volatility. Financial institutions holding large portfolios of such instruments will be the ones affected the most.