



Institute of Actuaries of India

Statutory body established under an Act of Parliament

Unit No. F-206, 2nd Floor, F Wing, Tower II, Seawoods Grand Central,
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Invitation of Comments on Exposure Draft for Guidance Note XX (GNXX) on Share-Based Payments

To All Members and Stakeholders

Subject: Invitation for Comments on Exposure Draft of Guidance Note XX (GNXX) on Share-Based Payments

The Institute of Actuaries of India is pleased to announce the release of the Exposure Draft for the Guidance Note XX (GNXX) concerning share-based payments. We invite all members and stakeholders to participate in this important initiative by providing their valuable feedback on the draft [\[LINK\]](#).

Purpose of the Guidance Note

The purpose of this Guidance Note is to establish key principles that members should adhere to when performing valuations of share-based payments. This includes assistance in accounting for these plans, ensuring a high degree of reliance on the information regarding their relevance, transparency, completeness, and comprehensibility.

Key Components of the Guidance Note

1. Classification of Guidance

The Guidance Note is classified as a Recommended Practice for members under Section 19(2)(i) of the Actuaries Act, 2006. While there is no direct legislation impacting this Guidance Note, it should be observed alongside various applicable laws and standards, such as:

- Indian Accounting Standard (Ind AS) 102 on Share-Based Payments
- Guidance Note on Share-Based Payments issued by the Institute of Chartered Accountants of India
- Regulations from the Securities and Exchange Board of India (SEBI) regarding Employee Stock Options (ESOPs)
- The Companies Act, 2013
- Income Tax Act, 1961

2. Valuation Principles

The document outlines principles governing the valuation of share-based payment plans, which include:

- The member's responsibility and the exercise of judgment in determining whether the valuation impacts financial statements.
- The need for appropriate and relevant data to perform valuations, including share prices, vesting conditions, and historical data.



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3. Methodology and Assumptions

It details methodologies used in option pricing, including:

- Black-Scholes Option Pricing Model
- Binomial Model
- Monte Carlo Simulation Approach The document emphasizes the importance of selecting appropriate models based on scheme characteristics and the need for sensitivity analyses on key assumptions.

4. Reporting Requirements

Members are instructed to document their findings comprehensively, including:

- The purpose of the report and the relevant financial reporting standards.
- Summary statistics of the data used, scheme details, methodology, and assumptions.
- The impact on financial statements and any limitations regarding the reliance on the provided information.

Call for Comments

We encourage all members and stakeholders to review the Exposure Draft and share their insights, comments, and suggestions. Your feedback is crucial for refining the Guidance Note to ensure it meets the needs of all users and adheres to the highest professional standards.

Submission Guidelines

Please submit your comments by 9th September 2024 to Ms. Nilima Kadam at nilima@actuariesindia.org in the given format (**Annexure-A**). We appreciate your participation in this vital process and look forward to your contributions.

For further details or inquiries, please contact **Ms. Nilima Kadam at 022-62433339**. Thank you for your attention and engagement in this important endeavor.

Sincerely,

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ANNEXURE A

FORMAT FOR SUGGESTIONS ON DRAFT – GN XX

Change suggested by				
Date				
Note	<ul style="list-style-type: none">❖ It is suggested that ONE Page may be used for one change.❖ This will enable us to group all the suggestions and take a decision on the changes suggested			
Page No	Paragraph	Sub-paragraph	Suggested change	Reasons for change