

MALAYSIAN INSTITUTE OF ACCOUNTANTS
FINANCIAL REPORTING STANDARDS IMPLEMENTATION COMMITTEE
("FRSIC")

FRSIC Issue No. 60 [2016]

Revenue Recognition in Bancassurance Arrangement under MFRS 15 Revenue from Contracts with Customers

The issue:

In a typical bancassurance arrangement, a bank enters into an agreement with an insurance company whereby the insurance company uses the bank's client base to sell insurance products for a specific period of time (for example, 10 years). The bank staff, rather than an insurance salesperson, becomes the point of sale and point of contact for the customer. Bank staff are advised and supported by the insurance company through product information, marketing campaigns and sales training. Insurance products sold are processed and administered by the insurance company.

Under a bancassurance arrangement, the bank will receive the following fees from the insurance company:

Fees	Remark
Commitment fee (upfront fee)	Typically, this fee is a substantial amount and is payable upon signing of agreement. This fee is non-refundable even if the agreement is subsequently terminated.
Facilitation fee (upfront fee)	Typically, this fee is a substantial amount and is payable upon receipt of regulatory approval. This fee is non-refundable even if the agreement is subsequently terminated.
IT Infrastructure Fund and Marketing Campaign (Reimbursable)	For development and enhancement of IT system and digital platform. Funds will be placed in an escrow account and will be reimbursed to the bank as and when incurred.
Commissions	Payable in respect of each insurance policy concluded
Annual bonus	Payable if certain target is met
Special bonus	Payable if certain target is met

Current accounting practice as observed by the Submitter:

The submitter observed that some banks recognise commitment fees and facilitation fees in respect of the above bancassurance arrangement upon receipt (upfront recognition) whilst some other banks recognise these fees over time (over the period of arrangement).

Reasons for the FRSIC to address the issue:

The submitter raised on the divergence of practice in relation to the timing of recognition of commitment fee and facilitation fee.

Submitter's proposal or recommendation to address the issue:

The submitter requested FRSIC to issue a consensus on this issue.

Submitted on:

12 February 2016

Corresponding FRSIC Consensus:

FRSIC Consensus 29 Revenue recognition in bancassurance arrangement under MFRS 15 Revenue from Contracts with Customers