



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 915
Series of 2016

Subject: Amendments on the Accounting Guidelines for Prudential Reporting to the BSP

The Monetary Board in its Resolution No. 1107 dated 16 June 2016, approved the following amendments to the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on the guidelines for prudential reporting by BSP supervised financial institutions.

Section 1. Subsection X191.3 of the Manual of Regulations for Banks (MORB) is hereby amended to read, as follows:

“Statement of policy. It is the policy of the Bangko Sentral to promote fairness, transparency and accuracy in financial reporting. It is in this light that the Bangko Sentral aims to adopt all Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council (FRSC) to the greatest extent possible.

xxx.

For purposes hereof, the PFRS/PAS shall refer to issuances of the FRSC and approved by the Professional Regulation Commission (PRC).

Accounting treatment for prudential reporting. For prudential reporting, banks shall adopt in all respect the PFRS and PAS except as follows:

- a. In preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated on a line-by-line basis; while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. xxx; and
- b. Banks shall be required to meet the Bangko Sentral recommended valuation reserves.

xxx.

Notwithstanding the exceptions in Items “a” and “b”, the audited financial statements required to be submitted to the Bangko Sentral in accordance with the provision of Subsection X190.1 shall in all respect be PFRS/PAS compliant: *Provided*, That FIs shall submit to the Bangko Sentral adjusting entries reconciling the balances in the financial statements for prudential reporting with that in the audited financial statements.

Guidelines on the preparation of solo/separate financial statements.

For purposes of preparing solo/separate financial statements, financial allied, non-financial allied and non-allied subsidiaries/associates/joint ventures, including insurance subsidiaries/associates, shall be accounted for using the equity method, in accordance with PAS 27, as amended.

The rules on the preparation of solo financial statements are also provided under Appendix 77 on the Financial Reporting Package.

Guidelines on the adoption of PFRS 9 Financial Instruments

xxx.”

Section 2. Subsection 4191Q.3 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFII) is hereby amended to read, as follows:

“Statement of policy. It is the policy of the Bangko Sentral to promote fairness, transparency and accuracy in financial reporting. It is in this light that the Bangko Sentral aims to adopt all Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council (FRSC) to the greatest extent possible.

xxx.

For purposes hereof, the PFRS/PAS shall refer to issuances of the FRSC and approved by the Professional Regulation Commission (PRC).

Accounting treatment for prudential reporting. For prudential reporting, FIs shall adopt in all respect the PFRS and PAS except as follows:

- a. In preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated on a line-by-line basis; while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. xxx; and
- b. FIs shall be required to meet the Bangko Sentral recommended valuation reserves.

xxx.

Notwithstanding the exceptions in Items “a” and “b”, the audited financial statements required to be submitted to the Bangko Sentral in accordance with the provisions of Section 4190Q shall in all respect be PFRS/PAS compliant: *Provided*, That FIs shall submit to the Bangko Sentral adjusting entries reconciling the balances in the financial statements for prudential reporting with that in the audited financial statements.

Guidelines on the preparation of solo/separate financial statements.

For purposes of preparing solo/separate financial statements, financial allied, non-financial allied and non-allied subsidiaries/associates/joint ventures, including insurance subsidiaries/associates, shall be accounted for using the equity method, in accordance with PAS 27, as amended.

Guidelines on the adoption of PFRS 9 Financial Instruments

xxx.”

Section 3. Subsection 4161S.2 and Section 4161N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are hereby amended to read, as follows

“Statement of policy. It is the policy of the Bangko Sentral to promote fairness, transparency and accuracy in financial reporting. It is in this light that the Bangko Sentral aims to adopt all Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council (FRSC) to the greatest extent possible.

xxx.

For purposes hereof, the PFRS/PAS shall refer to issuances of the FRSC and approved by the Professional Regulation Commission (PRC).

Accounting treatment for prudential reporting. For prudential reporting, FIs shall adopt in all respect the PFRS and PAS except as follows:

- a. In preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated on a line-by-line basis; while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. xxx; and
- b. FIs shall be required to meet the Bangko Sentral recommended valuation reserves.

xxx.

Notwithstanding the exceptions in Items “a” and “b”, the audited financial statements required to be submitted to the Bangko Sentral in accordance with the provisions of Appendix S-2/Section 4172N shall in all respect be PFRS/PAS compliant: *Provided*, That FIs shall submit to the Bangko Sentral adjusting entries reconciling the balances in the financial statements for prudential reporting with that in the audited financial statements.

For purposes of preparing solo/separate financial statements, financial allied, non-financial allied and non-allied subsidiaries/associates/joint ventures, including insurance subsidiaries/associates, shall be accounted for using the equity method, in accordance with PAS 27, as amended.

Non-stock savings and loan associations/NBFIs, shall adopt the full provisions of PFRS 9 Financial Instruments only upon its mandatory effectivity date of 01 January 2018. Prior to said mandatory effectivity date, financial instruments of non-stock savings and loan associations/NBFIs shall continue to be accounted for in accordance with the provisions of PAS 39.”

Section 4. Subsection 4161P.2 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFi) is hereby amended to read, as follows

“Statement of policy. It is the policy of the Bangko Sentral to promote fairness, transparency and accuracy in financial reporting. It is in this light that the Bangko Sentral aims to adopt all Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council (FRSC) to the greatest extent possible.

xxx.

For purposes hereof, the PFRS/PAS shall refer to issuances of the FRSC and approved by the Professional Regulation Commission (PRC).

Accounting treatment for prudential reporting. For prudential reporting, FIs shall adopt in all respect the PFRS and PAS except as follows:

- a. In preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated on a line-by-line basis; while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. xxx; and
- b. FIs shall be required to meet the Bangko Sentral recommended valuation reserves.

Notwithstanding the exceptions in Items “a” and “b”, the audited financial statements required to be submitted to the Bangko Sentral in accordance with the provisions of Appendix P-2 shall in all respect be PFRS/PAS compliant: *Provided*, That FIs shall submit to the Bangko Sentral adjusting entries reconciling the balances in the financial statements for prudential reporting with that in the audited financial statements.

For purposes of preparing solo/separate financial statements, financial allied, non-financial allied and non-allied subsidiaries/associates/joint ventures, including insurance subsidiaries/associates, shall be accounted for using the equity method, in accordance with PAS 27, as amended.

Pawnshops shall adopt the full provisions of PFRS 9 Financial Instruments only upon its mandatory effectivity date of 01 January 2018. Prior to said mandatory effectivity date, financial instruments of pawnshops shall continue to be accounted for in accordance with the provisions of PAS 39.”

Section 5. Effectivity. This Circular shall take effect fifteen (15) calendar days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

5 July 2016