



BANGKO SENTRAL NG PILIPINAS
OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR

CIRCULAR LETTER NO. CL-2015-057

To : ALL BANKS

Subject : Updated Validation Rules of the BSP for the Financial Reporting Package

In an effort to further assist banks in finalizing the Financial Reporting Package (FRP), attached are the updated validation rules used by the BSP to check and determine whether the entries in the FRP are either balanced and reconciled or cited with mathematical defects requiring correction and the submission of amendments that are subject to penalty in accordance with existing regulations. Same validation rules emanate from the existing Reconciliation Report electronically transmitted by the BSP to banks immediately after the submitted FRP has been processed and validated.

The updated validation rules considered the following issuances of the BSP:

- 1) Stress Testing Reports pursuant to Memorandum No. M-2014-032 dated 11 August 2014,
- 2) Report on Cross-Border Financial Positions pursuant to Memorandum No. M-2015-021 dated 22 April 2015,
- 3) The updated Financial Reporting Package for Trust Institutions (FRPTI) template pursuant to Memorandum No. M-2015-032 dated 14 September 2015 and
- 4) The updated FRP templates pursuant to Memorandum No. M-2015-033 dated 14 September 2015.

Other rules have been also enhanced to further strengthen the overall validation of the FRP. The attached validation rules have the following three (3) components:

- 1) A User Guide that explains and describes the validation process and the translation of the validation rules into the Reconciliation Report transmitted by the BSP to banks with illustrative samples and references;
- 2) The Intra Validation Rules in Annex A itemizing the arithmetic formulations in balancing and reconciling the Balance Sheet, Income Statement, and Supporting Schedules of the FRP; and
- 3) The Inter Validation Rules in Annex B itemizing the arithmetic formulations in reconciling the FRP with the following prescribed reports:
 - a. Report on Compliance with Mandatory Agri-Agra Credit under R.A. 10000 (Agri-Agra Report)
 - b. FRP Branch Report
 - c. Risk-Based Capital Adequacy Report for Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks

- d. Quarterly Statement of E-Money Balances and Activity
- e. FRPTI
- f. Report on Microfinance Products and Income Statement on Retail Microfinance Operations
- g. Report on Compliance with Mandatory Credit Allocation Required under R.A. 6977 (MSME Report)
- h. Published Balance Sheet
- i. Expanded Report on Real Estate Exposure
- j. Stress Testing Reports
- k. Report on Cross-Border Financial Positions

Additional validation rules will be issued through a Circular Letter (CL) as future enhancements to the FRP are prescribed and/or as new formulations are introduced. As validation rules are updated and issued, a lead time of one (1) reporting cycle after the issuance of the corresponding CL shall be observed before penalties can be assessed against non-compliance with the updated reconciliation rules.

Banks may use the aforementioned rules and formulations as reference for internally developing and reinforcing their own validation procedures, systems and controls. Such rules and formulations, however, mainly focus in determining arithmetical consistency of the FRP within an acceptable tolerance limit and are not intended to capture errors arising from significant changes or movements in values reported from one period to another nor misclassification of transactions arising from the misuse of the FRP accounts.

The integrity and quality of the FRP ultimately rests with the bank. Adequate internal controls should be in place to ensure that the information submitted by banks to BSP is consistent, correct and conforms to the prescribed reporting standards.

This issuance supersedes CL No. CL-2014-044 dated 23 July 2014.


NESTOR A. ESPENILLA, JR.
Deputy Governor

21 September 2015

Att: a/s