



Circular No. 653
Series of 2009

prepared in accordance with the provisions of Subsection X425.3 together with the other information required by the BSP to be submitted under Subsection X166.1: *Provided, That* a reconciliation statement of the balance sheet in the AFS and the Financial Reporting Package for Trust Institutions shall be prepared for each of the general categories of contractual relationships (i.e., UITF-trust, institutional-trust, and individual-trust; other fiduciary; institutional-agency, and individual-agency; and special purpose trust) of the trust/investment management department of a bank with its clients following the format in Annex 1.

- (2) Subsection X425.3 of the MORB is hereby added as follows:

"Subsection X425.3 Audited Financial Statements (AFS). The trust/investment management department of a bank shall adopt the provisions of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS) in all respect, for purposes of preparing the AFS of its trust and other fiduciary and investment management activities. The following guidelines shall likewise be observed in the preparation of the AFS:

- (a) The provisions of PFRS/PAS shall be adopted effective the annual financial statements beginning 1 January 2008;
- (b) A complete set of financial statements shall comprise of the following:
 - (1) Balance sheet as of the end of the period;
 - (2) Income statement for the period;
 - (3) Statement of changes in accountabilities, which shall show a reconciliation of the net carrying amount at the beginning and end of the period of the following accounts:
 - (i) principal; (ii) accumulated income and (iii) net unrealized gains/(losses) on available for sale financial assets, separately disclosing the changes in each of the foregoing accounts;
 - (4) Notes, which shall comprise of a summary of significant accounting policies and other

disclosure requirements provided under PFRS/PAS: *Provided*, That for purposes of complying with the disclosure of the nature and extent of risks arising from financial instruments as required under PFRS 7, disclosure statements may be made based on the general categories of contractual relationships (i.e., UITF-trust, institutional-trust, and individual-trust; other fiduciary; institutional-agency, and individual-agency; and special purpose trust) of the trust/investment management department of a bank with its clients; and

- (5) Balance sheet as at the beginning of the earliest comparative period when a trust/investment management department applies an accounting policy retrospectively or when it makes a retrospective restatement of items in the financial statements, or when it reclassifies items in the financial statements.
- (c) The balance sheet, income statement and statement of changes in accountabilities shall be presented for each of the general categories of contractual relationships (i.e., UITF-trust, institutional-trust, and individual-trust; other fiduciary; institutional-agency, and individual-agency; and special purpose trust) of the trust/investment management department of a bank with its clients;
 - (d) Comparative information for periods before 1 January 2008 need not be presented in the AFS for the financial reporting period beginning 1 January 2008: *Provided*, That disclosure statements on the end-2007 balances of total assets of the general categories of contractual relationships of the trust/investment management department of a bank with its clients prepared based on the Generally Accepted Accounting Principles (GAAP) previously applied, shall be presented in the notes to financial statements: *Provided, further*, That comparative periods shall be presented in the AFS for the financial reporting period beginning 1 January 2009 and thereafter.
 - (e) The following transitory rules and regulations shall govern the accounting treatment of specific items for purposes of preparing the AFS for the

financial reporting period beginning 1 January 2008 :

- (1) The provisions of PFRS/PAS shall only be applied to accounts outstanding as of end-December 2008;
 - (2) Reclassification of previously recognized financial instruments shall no longer be allowed except as allowed under existing regulations;
 - (3) The fair value of Real and Other Properties Acquired (ROPA) and Investment Properties as of the date of transition to PFRS/PAS may be used as the deemed cost of said properties as of that date: *Provided*, That said ROPA and Investment Properties shall be subsequently accounted for in accordance with the provisions of the Financial Reporting Package for Trust Institutions
- (3) Subsection X425.3 *Post-Bond Flotation Report* of the MORB is hereby renumbered as X425.4.

Section 2. Amendments to the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI). Section 4421Q and Subsections 4425Q.3 and 4426Q.2 of the MORNBFI shall likewise be amended in accordance with the foregoing provisions.

Section 3. Submission of AFS of Trust Institutions. The deadline for filing the AFS of trust institutions for the financial reporting period beginning 1 January 2008 with the BSP as prescribed under Subsection X426.2 of the MORB is hereby extended up to 30 June 2009, in view of the longer time period needed to prepare the AFS due to the adoption of the new accounting standards.

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

FOR THE MONETARY BOARD:


ARMANDO L. SURATOS
Officer In-Charge

 May 2009

Name of Trust Institution
 (Contractual Relationship of TI, e.g., Institutional-Trust)
 Comparison of Submitted FRPTI Balance Sheet and
 Audited Financial Statements
 As of (_____)
 (In Thousand Pesos)

Accounts	FRPTI	AFS	Discrepancy	Explanation for Discrepancy
Assets (net)				
Cash on Hand, Checks and Other Cash Items				
Due from BSP				
Deposits in Banks				
Financial Assets at Fair value through Profit or Loss				
Available-for-Sale Financial Assets (AFS)				
Held to Maturity Financial Assets				
Unquoted Debt Securities Classified as Loans				
Investments in Non-Marketable Equity Securities				
Loans and Receivables and Loans Arising from Repurchase Agreements and Securities Lending and Borrowing Transactions				
Other Financial Assets				
Investment Properties and Real and Other Properties Acquired				
Other Assets				
Total Assets				
Accountabilities				
Principal				
Accumulated Income				
Net Unrealized Gains/(Losses) on AFS Financial Assets				
Other Accountabilities				
Total Accountabilities				