



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1021

Series of 2018

Subject: Guidelines on Marking to Market of Financial Instruments

The Monetary Board, in its Resolution No. 1848 dated 8 November 2018, approved the guidelines on marking to market of financial instruments to align existing regulations with the provisions of Philippine Financial Reporting Standards 13 on Fair Value Measurement.

Section 1. Subsection X191.4 on "Accounting treatment of financial securities" of the Manual of Regulations for Banks (MORB), Section 4391N and Subsection 4388Q.5 on "Investments in debt and marketable equity securities" of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFi) are hereby amended to read, as follows:

"Section 4391N/Subsec. X191.4/4388Q.5. Marking to market of financial instruments. Financial instruments that are required to be classified and measured at fair value, within the scope of Philippine Financial Reporting Standards (PFRS) 9 under Appendix 33/Q-20, shall be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the Securities and Exchange Commission. The marked-to-market guidelines for debt and equity securities are set out in Appendix 33a/Q-20a.

BSFIs and the concerned officers found to have violated the provisions of these regulations shall be subject to the enforcement actions under Section 4161N/Subsec. X191.3/4191Q.3."

Section 2. Subsections X410.10 of the MORB and 4410Q.10 of the MORNBFi on "Other Related Guidelines on Valuation of Allowable Investments" are hereby amended to read, as follows:

"Subsec. X410.10/4410Q.10 Other Related Guidelines on Valuation of Allowable Investments

a. In marking to market debt securities, the provisions of Appendix 33a/Appendix Q-20a shall apply."

xxx"

Section 3. Appendix 33a and Appendix Q-20a on the establishment of the market benchmarks/reference prices and computational methodology used to mark-to-market debt and marketable equity securities are hereby amended as shown in Annex A. Appendix T-1

on the "List of Appendices of MORB/Q Regulations Applicable to Trust Corporations" which referred to Appendix Q-20a is hereby amended to reflect the new title of Appendix Q-20a.

Section 4. 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:

MA. CYD N. TUAÑO-AMADOR
MARIA ALMASARA CYD N. TUAÑO-AMADOR
Officer-In-Charge

15 November 2018

MARKING TO MARKET GUIDELINES FOR INVESTMENTS IN DEBT AND EQUITY SECURITIES
[Appendix to Subsection X191.4/ X410.10/4388Q.5/4410Q.10/Section 4391N]

Bases/References

Bangko Sentral Supervised Financial Institutions (BSFIs) shall have adequate governance structures and control processes to ensure that valuations are prudent and reliable for risk management and financial reporting purposes. These processes shall be consistently applied across the institution and integrated within the overall governance framework and risk management systems.

In this respect, BSFIs shall mark-to-market (MTM) debt and equity securities in accordance with the provisions of Philippine Financial Reporting Standards 13 (PFRS 13) on Fair Value Measurement and shall observe the following bases/references:

Type of Security			Market Price Basis
A. Equity Securities Listed in the Stock Exchange			
	1. Traded in the Philippines		Same day closing price as quoted at the Philippine Stock Exchange. In case of halt trading/suspension or holidays, use the latest available closing price.
	2. Traded Abroad		Latest available closing price from the exchange where the securities are traded.
B.	Foreign Currency-Denominated Debt Securities Quoted in Major Information Systems (e.g., Bloomberg, Reuters)		Latest available price for the day, Manila time.
C.	Foreign Currency Denominated Debt Securities Traded in a Local Registered Exchange or Market		The latest available closing price provided by the exchange where the said security is traded and/or enrolled.
D.	Peso-Denominated Government Securities		The market prices provided by either a third party pricing service or calculating agent: <i>Provided</i> , That the pricing service or the calculation agent and its valuation methodology are recognized by the Securities and Exchange Commission (SEC) - licensed benchmark administrator.
E.	Peso-Denominated Private Debt Securities		The basis for MTM of peso-denominated debt securities traded in an organized market shall be the same as those used in Section C above.

Other Valuation Guidelines

In the absence of market price described above, the fair value which is the price that would be received in selling the financial instrument in an orderly transaction in the principal (or most advantageous) market under current market condition, shall be used as basis for the MTM. BSFIs shall ensure that such an observed price or the price estimated using another valuation technique, including inputs to valuation technique, are consistent with the provisions of PFRS 13.