



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 243

Following the decision of the Monetary Board as contained in its Resolution No. 256 dated 18 February 2000 relative to the inclusion of "indirect" equity ownership in the computation of total investments that qualify for equity method of accounting, the Manual of Accounts for Commercial Banks (under Circular No. 108 dated 6 May 1996, as amended by Circular Nos. 201 and 231 dated 1 May 1999 and 21 March 2000, respectively) is hereby amended to include the revised definition of the account "Equity Investments". The replacement page (Page 15-b) of the Manual of Accounts is herein attached as Annex "A". "Equity Investment" is, therefore, re-defined as follows:

17. EQUITY INVESTMENTS [1-3-60-00]

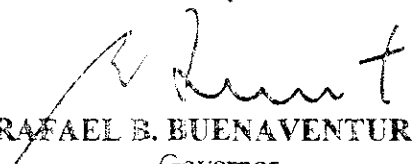
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Subsequent to acquisition, equity investments should still be carried at recorded value on date of acquisition; except investments representing more than 50% of the voting stock of the investee company (directly or indirectly owned) in which case the equity method of accounting shall be used. The use of the equity method, however, does not preclude the bank from setting up valuation reserves if warranted."

A Bank is considered to have an indirect ownership of a certain investee company if the Bank's subsidiary and/or affiliate (at least 20% of the voting stock is directly owned by the Bank) has also direct ownership in said investee company.

Aforementioned amendment shall apply to financial statements of expanded and non-expanded banks as of 31 December 1999 and that equity earnings under the amendment will not be eligible for dividend declaration.

For The Monetary Board:


RAFAEL B. BUENAVENTURA
Governor

12 May 2000

ITAGUYOD ANG PHILIPPINES 2000



MAG-IMPOK SA BANGKO

REVISIONS TO THE
MANUAL OF ACCOUNTS
FOR
COMMERCIAL BANKS

Accumulated Amortization - Discount - IBODI - FCDU/EFCDU

Accumulated Amortization - IBODI - FCDU/EFCDU

This represents the carried amount of the discount and/or the amortized portion of the premium on investment in foreign and non-convertible bonds and other debt instruments of the FCDU/EFCDU. Such shall be credited, respectively, monthly to this account with the corresponding debit credited to Income - IBODI - FCDU/EFCDU account. This shall be recorded at their foreign currency amounts. Upon disposition of the securities, the account corresponding to the redeemed, transferred or sold securities shall be reversed.

d. Allowance for Probable Losses - IBODI [2-8-50-00]

This represents the amount set up against current operations to provide for losses on IBODI. When the decline in fair market value below the amortized cost is other than temporary, i.e., full collection of principal and interest is not expected on a debt security, the amortized cost basis of the particular debt security shall be adequately provided with allowance for probable losses. The amount of investment loss provision shall be accounted for as realized loss and charged to Income - Domestic.

Allowance for Probable Losses - IBODI - Domestic

This represents the amount set up against current operations to provide for losses on IBODI - Domestic. Under existing regulations, this account is also known as "valuation reserve".

Allowance for Probable Losses - IBODI - Foreign Regular

This represents the amount set up against current operations to provide for losses on IBODI - Foreign Regular. Under existing regulations, this account is also known as "valuation reserve". This shall be recorded at their foreign currency amounts and at their local currency equivalents at the applicable rate of exchange on transaction dates.

Allowance for Probable Losses - IBODI - FCDU/EFCDU

This represents the amount set up against current operations to provide for losses on IBODI - FCDU/EFCDU. Under existing regulations, this account is also known as "valuation reserve". This shall be recorded at their foreign currency amounts.

17. EQUITY INVESTMENTS [1-3-50-00]

This represents the cost of investments in shares of stock, including any unpaid subscriptions, of companies/institutions as allowed under existing laws, rules and regulations. Equity investments shall be booked at cost or book value, whichever is lower, on the date of acquisition. If cost is greater than book value, the excess shall be charged in full to operations or booked as deferred charges and amortized as expense over a period not exceeding five (5) years.

Subsequent to acquisition, equity investments should still be carried at recorded value on date of acquisition, except investments representing more than 50% of the voting stock of the investee company (directly or indirectly owned) in which case the equity method of accounting shall be