



BANGKO SENTRAL NG PILIPINAS

**OFFICE OF THE DEPUTY GOVERNOR
FINANCIAL SUPERVISION SECTOR**

CIRCULAR LETTER NO. CL-2018-074

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 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) The updated FRP, Report of Selected Branch Accounts (BRIS), Expanded Report on Real Estate Exposures (ERREE), Microfinance Reports - Report on Microfinance Products (MBS) and Income Statement on Retail Microfinance Operations (MIS) templates pursuant to Memorandum No. M-2018-027 dated 05 October 2018, and
- 2) The BASEL III Net Stable Funding Ratio (NSFR) Report pursuant to Memorandum No. M-2018-028 dated 05 October 2018.

Other rules have been also enhanced to further strengthen the overall validation of the FRP. The validation rules, which can be downloaded from http://www.bsp.gov.ph/ses/reporting_templates, have the following 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. Basel III Capital Adequacy Ratio Report¹
- b. Risk-Based Capital Adequacy Ratio Report²
- c. Basel III Liquidity Coverage Ratio Report³
- d. Report on Cross-Border Financial Positions
- e. Expanded Report on Real Estate Exposure
- f. Stress Testing Reports
- g. Published Balance Sheet
- h. Financial Reporting Package for Trust Institutions
- i. Report on Microfinance Products and Income Statement on Retail Microfinance Operations
- j. Quarterly Statement of E-Money Balances and Activity
- k. Report of Selected Branch Accounts (Branch Report)
- l. Report on Compliance with Mandatory Credit Allocation Required under R.A. 6977 (MSME Report)
- m. Report on Compliance with Mandatory Agri-Agra Credit under R.A. 10000 (Agri-Agra Report)
- n. Report on Repurchase Agreements
- o. Minimum Liquidity Ratio Report⁴
- p. BASEL III Net Stable Funding Ratio (NSFR) Report

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 for non-compliance to the updated rules can be assessed and imposed on banks.

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.

¹ For Universal Banks and Commercial Banks and Their Subsidiary Banks and Non-Banks with Quasi Banking Functions in accordance with Memorandum No. M-2017-038 dated 28 December 2017.

² For Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks in accordance with Memorandum No. M-2015-014 dated 10 March 2015.

³ For Universal and Commercial Banks under Memorandum No. M-2018-006 dated 7 February 2018 and For All Subsidiary Thrift Banks, Rural Banks, Cooperative Banks, and Non-Banks with Quasi Banking Functions of Universal Banks and Commercial Banks under Memorandum No. M-2018-008 dated 22 February 2018.

⁴ For Stand –Alone Thrift Banks, Rural Banks, Cooperative Banks and Non-Banks with Quasi Banking Functions, in accordance with Memorandum No. M-2018-007 dated 22 February 2018.

The integrity and quality of the prudential reports prescribed for submission to BSP ultimately rests with the bank. Adequate internal controls should be in place to ensure that the information submitted by banks to BSP is complete, accurate, consistent, reliable, timely and conforms to the relevant submission and validation guidelines prescribed by the BSP.

This issuance supersedes CL Nos. CL-2017-060 and CL-2018-008 dated 02 October 2017 and 31 January 2018, respectively.



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Sector-In-Charge

26 October 2018