

**[ SEC MEMORANDUM CIRCULAR NO. 3, S. 2011,  
May 16, 2011 ]**

**GUIDELINES ON THE IMPLEMENTATION OF PFRS 9 (FINANCIAL  
INSTRUMENTS: RECOGNITION AND MEASUREMENT)**

Pursuant to its commitment to align its rules with global standards and practices, the Commission has in the recent past adopted International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) by including them in the rules of the Commission as Philippine Financial Reporting Standards (PFRS).

In May 2010, the Commission adopted as part of its rules the original PFRS 9 that contains requirements on financial assets. Thereafter, in January 2011, the revised PFRS 9 covering both financial assets and financial liabilities were adopted by the Commission. These standards are based on two IFRS 9 issued by the IASB in 2009 and 2010, respectively. The titles "PFRS 9 (2009)" and "PFRS 9 (2010)" shall therefore be used for purposes of these Guidelines"

As stated in the notice issued by the Commission, PFRS 9 shall apply to financial statements for annual periods beginning on or after 1 January 2013. The covered entities are, however, given the option to adopt the standard earlier than the said date. Although PFRS 9 (2009) was superseded by PFRS 9 (2010), an entity may elect to apply PFRS 9 (2009) for annual periods beginning before 1 January 2013. If an entity however, opts to early adopt PFRS 9 (2010), it shall apply the requirements of this standard in its entirety.

Considering the significant impact on the financial statements of the recognition and measurement requirements under PFRS 9 and the need for availability of sufficient information to users of financial statements, the Commission resolved to issue these Guidelines on the transition and disclosure requirements for the early adoption of the subject standard.

1. The following companies that shall early adopt either PFRS 9 (2009) or PFRS 9 (2010) for their 2011 or 2012 annual financial reporting shall be covered by the following rules:

- (a) Large corporations with total assets of more than P350 Million and total liabilities of P250 Million, and publicly-accountable entities that are mandated to adopt PFRS;
- (b) Small and medium entities that availed of the exemption from PFRS for SMEs and have opted to adopt PFRS.

2. Covered companies are given up to **30 September 2011** to conduct a study on the potential impact of the adoption of PFRS 9 on their 2011 annual financial statements. However, companies that have early adopted in their 2010 financial statements PFRS 9 (2009) shall only cover the impact evaluation of PFRS 9 (2010)