

[BSP CIRCULAR NO. 474, S. 2005, February 03, 2005]

**AMENDMENTS TO THE MANUAL OF REGULATIONS FOR BANKS
AND THE MANUAL OF REGULATIONS FOR NON-BANK FINANCIAL
INSTITUTIONS**

Pursuant to Monetary Board Resolution No. 93 dated 27 January 2005, the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are hereby amended/added as follows:

Section 1. Subsec. X164.1 of the MORB and Section 4172Q of the MORNBFI are hereby amended, and Sections 4172N and 4172S are hereby added to the MORNBFI to read as follows:

"Financial Audit. Banks/quasi-banks/NSSLAs/NBFIs shall cause an annual financial audit by an external independent auditor ACCEPTABLE TO THE BSP not later than thirty (30) calendar days after the close of the calendar year or the fiscal year adopted by the CONCERNED INSTITUTION. Report of such audit shall be made and submitted to the board of directors/TRUSTEES and the appropriate supervising and examining department of the BSP not later than ninety (90) calendar days after the start of the audit. THE REPORT TO THE BSP SHALL BE ACCOMPANIED BY THE: (1) CERTIFICATION ON THE: (a) DATES OF START AND TERMINATION OF AUDIT; (b) DATES OF SUBMISSION OF THE FINANCIAL AUDIT REPORT (AFS) AND LETTER OF COMMENTS (LOC) TO THE BOARD OF DIRECTORS/EXECUTIVE OFFICER/COUNTRY HEAD; AND (c) THE ABSENCE OF ANY DIRECT OR INDIRECT FINANCIAL INTEREST AND OTHER CIRCUMSTANCES THAT MAY IMPAIR THE INDEPENDENCE OF THE EXTERNAL AUDITOR; (2) RECONCILIATION STATEMENT BETWEEN THE AUDITED FINANCIAL STATEMENTS AND THE CONSOLIDATED STATEMENT OF CONDITION (CSOC) AND CONSOLIDATED STATEMENT OF INCOME AND EXPENSES (CSIE) SUBMITTED TO THE BSP; AND (3) OTHER INFORMATION THAT MAY BE REQUIRED.

The board of directors/TRUSTEES, in a regular or special meeting, shall consider and act on the financial audit report and shall submit, within thirty (30) banking days after receipt of the report, a copy of its resolution to the appropriate supervising and examining department of the BSP. The resolution shall show, among other things, THE ACTION(S) TAKEN ON THE REPORT AND the names of the directors/TRUSTEES present and absent.

IN ADDITION, THE EXTERNAL AUDITOR SHALL BE REQUIRED BY THE CONCERNED INSTITUTION TO SUBMIT A LETTER OF COMMENTS (LOC) INDICATING ANY MATERIAL WEAKNESS OR BREACH ON THE