

[BSP CIRCULAR NO. 506, S. 2005, December 23, 2005]

**AMENDMENTS TO CIRCULAR NOS. 360 AND 466 ON THE
CAPITAL/ACCOUNTING TREATMENT OF CERTAIN FINANCIAL
INSTRUMENTS**

The Monetary Board in its Resolution No. 1606 dated 16 December 2005 approved the following amendments to Circular Nos. 360 (as amended) and 466 dated 3 December 2002 and 5 January 2005, respectively, in view of the adoption of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS):

SECTION 1. Components of the Trading Book under Circular No. 360 - The trading book of a bank, as defined under Circular No. 360 in the Instructions for Accomplishing the Report on Computation of the Adjusted Risk-Based Capital Adequacy Ratio Covering Combined Credit Risk and Market Risk, shall be limited to financial instruments booked under the Held for Trading (HFT) category.

Financial instruments classified as (a) Designated at Fair Value through Profit or Loss (DFVPL) or Available-for-Sale (AFS) although measured at fair value (marked-to-market); and (b) Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse and Securities Lending and Borrowing Transactions, shall be treated as banking book items, which shall be subject to capital charge for credit risk under Circular No. 280 dated 29 March 2001, as amended.

SECTION 2. Booking of Investments in Structured Products Under Circular No. 466. Investments in structured products, as provided under Circular No. 466, shall be booked under banking book accounts as follows: (1) DFVPL, (2) AFS, (3) Held to Maturity (HTM); or (4) Unquoted Debt Securities Classified as Loans, which shall be accounted for in accordance with Circular Nos. 476 and 494, but not under the HFT category.

This Memorandum shall take effect after fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

Adopted: 23 Dec. 2005

(SGD.) AMANDO M. TETANGCO, JR.
Governor



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