

**[ BSP CIRCULAR NO. 243, May 12, 2000 ]**

**EQUITY INVESTMENTS**

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.

Adopted: 12 May 2000

(SGD.) RAFAEL B. BUENAVENTURA  
*Governor*



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