



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2020-022

To : All BSP-Supervised Financial Institutions

Subject : Reclassification of Debt Securities Measured at Fair Value to the Amortized Cost Category


The Monetary Board, in its Resolution No. 511 dated 7 April 2020, approved the guidelines governing the reclassification of debt securities that are measured at fair value to the amortized cost category as part of the relief measures extended by the Bangko Sentral (BSP) in managing the financial impact of the corona virus disease 2019 (COVID-19) pandemic.

For prudential reporting purposes, a BSP-supervised financial institution (BSFI) shall be allowed to reclassify its investments in debt securities that are booked under a fair value category to the amortized cost category, except for debt securities that are part of assets under management of a trust entity.

The reclassification of debt securities shall be implemented in the following manner:

1. Debt securities recorded under the *Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss* and *Financial Assets Measured at Fair Value Through Other Comprehensive Income* accounts may be reclassified to the *Debt Securities Measured At Amortized Cost* account.
2. Debt securities may be reclassified out of the *Financial Assets Held for Trading* account into the *Debt Securities Measured at Amortized Cost account* due to the COVID-19 situation but should only be done if the debt securities shall no longer be used for trading purposes.
3. The reclassification of debt securities from a fair value category to the amortized cost category shall be done all at the same time.
4. A BSFI may reclassify the subject debt securities from 1 March to 30 September 2020.
 - a. A BSFI may retrospectively reclassify its debt securities measured at fair value until 30 April 2020. A BSFI may value date the reclassification as of any day from 1 March to 30 April 2020.

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05/06/2020
RYA ROSE D. NUNEZ
Manager, RMD
Administrative Services Department

Unrealized losses arising from the change in fair value of reclassified debt securities from the effective date of reclassification to the exercise date, or the date when the reclassification is effected in the BSFI's books, should be reversed.¹

- b. Reclassifications made after 30 April 2020 shall take effect only from the date when the reclassification is made.
5. The accounting for the reclassification shall be done in accordance with the following provisions:
 - i. In the case of transfers out of the financial assets measured at fair value through profit or loss account, the fair value of the debt security at the effective date of reclassification shall be its new gross carrying amount. The effective interest rate of the debt security will be determined on the basis of its fair value at the effective date of reclassification. For purposes of applying the impairment provisions to the debt security, the effective date of reclassification is treated as the date of initial recognition of the debt security.
 - ii. In the case of transfers out of the financial assets at fair value through other comprehensive income account, the financial asset is reclassified at its fair value at the effective date of reclassification date. The cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the debt security at the effective date of reclassification. As a result, the debt security is measured at the effective date of reclassification as if it had always been measured at amortized cost. The recognition of interest revenue will not change and the BSFI will continue to use the same effective interest rate. The measurement of expected credit losses will also not change, however, a loss allowance should be recognized as an adjustment to the gross carrying amount of the debt security from the effective date of reclassification.
6. The BSFI shall not restate any recognized gains, losses (including impairment gains or losses) or interest prior to the effective date of reclassification.
7. A BSFI that reclassifies debt securities from the fair value category to the amortized cost category shall submit a report using the format prescribed in Annex A. The said report, which shall be considered a Category A-1 report, shall be submitted to the Department of Supervisory Analytics of the Bangko Sentral on or before 31 October 2020. The mode and manner

¹ This is referred to as the look-back provision.

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Administrative Services Department

of submission of the electronic report shall be covered by a separate guideline.

8. A BSFI which avails of the look-back provision under item 4.a above and which has submitted prudential reports to the BSP need not submit re-stated prudential reports covering the affected reporting periods.

The adoption of the foregoing alternative accounting treatment in the audited financial statements of a BSFI will warrant a qualified opinion from the external auditor, if deemed to have a material effect on the financial statements.

For guidance and implementation.



BENJAMIN E. DIOKNO
Governor

8 April 2020

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RYA ROSE D. NUNEZ
Manager, RMD

Administrative Services Department

Category: **Category A-1**Deadline: **31 October 2020**

Submission: Email DSA

FOR ALL BANKS/QUASI-BANKS/NON-BANK FINANCIAL INSTITUTIONS

Name of Bank/QB/NBFI	Code
Address	

Report on Reclassification of Debt Securities Out of the Fair Value Category

As of _____
(Effective Date of Reclassification)

(Exercise Date)

REPUBLIC OF THE PHILIPPINES)
 _____) S.S.

I solemnly swear that all matters set forth in this report are true and correct, to the best of my knowledge and belief.

 (Signature of Chief Executive Officer/Executive Vice
 President/
 Comptroller/Chief Accountant/Officer of Equivalent Position)

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 RYA ROSE D. NUNEZ
 Manager, RMD
 Administrative Services Department

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Reclassification out of the Financial Assets Held for Trading Account

Name of Bank/QB/NBFI

Bank/QB/NBFI Code

Effective Date of Reclassification

Debt and Equity Securities	FROM ^{1A}						TO ^{2A}						UNREALIZED LOSSES FROM MARKING-TO-MARKET ^{3A}					
	FINANCIAL ASSETS HELD-FOR-TRADING						DEBT SECURITIES MEASURED AT AMORTIZED COST											
	Peso	Foreign Regular	Peso	FCDU/EFCDU	In	Peso	Foreign Regular	Peso	FCDU/EFCDU	In	Peso	Foreign Regular	Peso	FCDU/EFCDU	In	Peso		
	In US\$	Equivalent	US\$	Equivalent	Total	Peso	In US\$	Equivalent	US\$	Equivalent	Total	Peso	In US\$	Equivalent	US\$	Equivalent		
Debt Securities																		
1. Resident																		
A. Government																		
(1) National Government																		
a. Treasury Bills																		
b. Treasury Bonds																		
c. Others (Specify e.g. Retail Bonds)																		
(2) LGUs																		
(3) GOCC																		
a. Social Security Institutions																		
b. Other Financial																		
c. Non-Financial																		
B. BSP																		
C. Banks																		
(1) UBs/KBs																		
(2) Other Banks																		
D. Private Corporations																		
(1) Financial																		
a. NBQBs																		
b. Others																		
(2) Non-Financial																		
2. Non-Resident																		
A. Central Government/Central Banks																		
B. Public Sector Entities																		
C. Banks																		
(1) OBUs																		
(2) Other Banks																		
D. Corporations																		
3. Multilateral Agencies																		
Subtotal																		
Equity Securities																		
1. Resident																		
A. GOCCs																		
(1) Financial Other than SSIs																		
(2) Non-Financial																		
B. Banks																		
(1) UBs/KBs																		
(2) Other Banks																		
C. Private Corporations																		
(1) Financial																		
(2) Non-Financial																		
2. Non-Resident																		
A. Banks																		
B. Corporations																		
Subtotal																		
TOTAL																		

^{1A} Outstanding balance of debt and equity securities booked under the Financial Assets Held for Trading account as of effective date of reclassification (prior to reclassification).

^{2A} Fair value of debt securities that were reclassified out of the Financial Assets Held for Trading account as of effective date of reclassification.

^{3A} In the case of BSFs which availed of the look-back provision, the amount of unrealized losses arising from marking-to-market of the reclassified debt securities which was reversed by a BSF.

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Reclassification out of the Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss
 Name of Bank/QB/NBFI Bank/QB/NBFI Code
 Effective Date of Reclassification

Debt and Equity Securities	FROM ¹⁾					TO ²⁾					UNREALIZED LOSSES FROM MARKING-TO-MARKET ³⁾							
	OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS					DEBT SECURITIES MEASURED AT AMORTIZED COST												
	Peso	Foreign In US\$	Regular Peso Equivalent	FCDU/EFCDU In US\$	Peso Equivalent	Total	Peso	Foreign In US\$	Regular Peso Equivalent	FCDU/EFCDU In US\$	Peso Equivalent	Total	Peso	Foreign In US\$	Regular Peso Equivalent	FCDU/EFCDU In US\$	Peso Equivalent	Total
Debt Securities																		
1. Resident																		
A. Government																		
(1) National Government																		
a. Treasury Bills																		
b. Treasury Bonds																		
c. Others (Specify e.g. Retail Bonds)																		
(2) LGUs																		
(3) GOCC																		
a. Social Security Institutions																		
b. Other Financial																		
c. Non-Financial																		
B. BSP																		
C. Banks																		
(1) UBs/KBs																		
(2) Other Banks																		
D. Private Corporations																		
(1) Financial																		
a. NBQBs																		
b. Others																		
(2) Non-Financial																		
2. Non-Resident																		
A. Central Government/Central Banks																		
B. Public Sector Entities																		
C. Banks																		
(1) OBUs																		
(2) Other Banks																		
D. Corporations																		
3. Multilateral Agencies																		
Subtotal																		
Equity Securities																		
1. Resident																		
A. GOCCs																		
(1) Financial Other than SSIs																		
(2) Non-Financial																		
B. Banks																		
(1) UBs/KBs																		
(2) Other Banks																		
C. Private Corporations																		
(1) Financial																		
(2) Non-Financial																		
2. Non-Resident																		
A. Banks																		
B. Corporations																		
Subtotal																		
TOTAL																		

¹⁾ Outstanding balance of debt and equity securities booked under the Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss account as of effective date of reclassification (prior to reclassification).
²⁾ Fair value of debt securities that were reclassified out of the Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss account as of effective date of reclassification.
³⁾ In the case of BSFs which availed of the look-back provision, the amount of unrealized losses arising from marking-to-market of the reclassified debt securities which was reversed by a BSF.

Name of Bank/QB/NBFI	Bank/QB/NBFI Code
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Effective Date of Reclassification

		FROM ¹⁾					TO ²⁾					UNREALIZED LOSSES ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ³⁾				
		FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME					DEBT SECURITIES MEASURED AT AMORTIZED COST									
		Debt and Equity Securities		Peso	Foreign Regular	FCDU/EPCDU	Total	Peso	Foreign Regular	FCDU/EPCDU	Total	Peso	Foreign Regular	FCDU/EPCDU	Total	
		In US\$	Peso Equivalent	In US\$	Peso Equivalent		In US\$	Peso Equivalent	In US\$	Peso Equivalent		In US\$	Peso Equivalent	In US\$	Peso Equivalent	
Debt Securities																
1. Resident																
A. Government																
	(1) National Government															
	a. Treasury Bills															
	b. Treasury Bonds															
	c. Others (Specify e.g. Retail Bonds)															
	(2) LGUs															
	(3) GOCC															
	a. Social Security Institutions															
	b. Other Financial															
	c. Non-Financial															
	B. BSP															
	C. Banks															
	(1) UBIs/XBs															
	(2) Other Banks															
	D. Private Corporations															
	(1) Financial															
	a. INBQBs															
	b. Others															
	(2) Non-Financial															
2. Non-Resident																
	A. Central Government/Central Banks															
	B. Public Sector Entities															
	C. Banks															
	(1) OBUs															
	(2) Other Banks															
	D. Corporations															
3. Multilateral Agencies																
Subtotal																
Equity Securities																
1. Resident																
	A. GOCCs															
	(1) Financial Other than SSIs															
	(2) Non-Financial															
	B. Banks															
	(1) UBIs/XBs															
	(2) Other Banks															
	C. Private Corporations															
	(1) Financial															
	(2) Non-Financial															
2. Non-Resident																
	A. Banks															
	B. Corporations															
Subtotal																
TOTAL																

[illegible]

²¹ Fair value of debt securities that were reclassified out of the Financial Assets Measured at Fair Value Through Other Comprehensive Income account as of effective date of reclassification.

¹¹ In the case of BSFIs which availed of the look-back provision, the amount of unrealized losses arising from change in fair value of the reclassified debt securities which was reversed by a BSFI.