

435 BOOKS, RECORDS AND REPORTS REQUIRED

Books and Records. The bank's trust department or investment management department shall keep books and records on trust, other fiduciary and IMAs separate and distinct from the books and records of its other businesses and shall follow the FRPTI prescribed by the Bangko Sentral.

Each trust, other fiduciary or IMA shall have a record separate from all other accounts except only in the case of UITFs where the trustee can maintain common records utilizing pooled fund accounting method for each fund: *Provided*, That the trustee shall clearly indicate in the records the trustors owning participation in the UITF and the extent of the interest of such trustors. Books and records shall contain full information relative to each trust, other fiduciary or IMA and shall be supported by duplicate signed copies of related documents. Said records and duplicate signed copies of related documents shall be compiled and kept as to allow inspection by Bangko Sentral examiners and submission of information or reports as may be required by competent authorities.

The bank's trust department or investment management department shall maintain separate general ledger accounts and other relevant sub-accounts for tax- exempt individual trust accounts and individual management accounts established under Section 24(B)(1) of R.A. No. 8424 and Secs. 413 (*Tax-exempt individual trust accounts*), 415 (*Operating and accounting methodology*). The bank's trust department or investment management department shall also adopt appropriate systems, internal control procedures and audit trail mechanisms to ensure that the correct amount of final tax is withheld or exempted from such accounts.

Reports required to trustor, beneficiary, principal¹. An entity acting as trustee, fiduciary or investment manager shall render reports on the trust, other fiduciary or IMAs to the trustor, beneficiary, principal or other party in interest or the court concerned or any party duly designated by the court order, as the case may be. The reports shall be in such forms as to apprise the party concerned of the significant developments in the administration of the account and shall comply with the following guidelines:

- a. All clients shall be provided with a schedule of earning assets which contains the following information:
 - (1) Borrower's or issuer's name;
 - (2) Type of instrument;
 - (3) Collateral, if any;
 - (4) Principal amount or Acquisition cost;
 - (5) Market value;
 - (6) Marking-to-market gains or losses;

- (7) Earning rate or yield;
- (8) Amount of earnings/Accrued interest;
- (9) Transaction date; and
- (10) Maturity date, if any.

b. Additional reports shall be required depending on the investment discretion as follows:

- (1) For Discretionary accounts, the reports shall also consist of balance sheet, income statement; investment activity report; and Return on Investment report.
- (2) For Non-discretionary accounts, a confirmation of transaction shall be required covering every purchase and sale instructions. It shall contain the following information:
 - (a) Transaction entered into;
 - (b) Borrower's or issuer's name;
 - (c) Amount involved;
 - (d) Terms of the security, including collateral, if any;
 - (e) Settlement price;
 - (f) Value date and settlement date; and
 - (g) Fees and charges related to the transaction.

c. The reports, except for Item "b.(2)", shall be prepared in such frequency as required under the agreement but shall not in any case be longer than once every quarter; and

d. The reports shall be made available to clients not later than twenty (20) calendar days from the end of the reference date/ period in Item "c" above.

Reports required to the Bangko Sentral. A bank acting as trustee, fiduciary or investment manager shall submit periodic reports prescribed by the appropriate supervising department of the Bangko Sentral on the bank's trust and other fiduciary business and investment management activities within the deadlines indicated in *Appendix 7*.

Audited financial statements. The trust/investment management department shall adopt the provisions of the PFRS/PAS in all respect, for purposes of preparing the AFS of its trust and other fiduciary and investment management activities. The following guidelines shall likewise be observed in the preparation of the AFS:

- a. The provisions of PFRS/PAS shall be adopted effective the annual financial statements beginning 01 January 2008;
- b. A complete set of financial statements shall comprise of the following:

- (1) Balance sheet as of the end of the period;
 - (2) Income statement for the period;
 - (3) Statement of changes in accountabilities, which shall show a reconciliation of the net carrying amount at the beginning and end of the period of the following accounts:
 - (a) principal;
 - (b) accumulated income; and
 - (c) net unrealized gains/(losses) on available for sale financial assets, separately disclosing the changes in each of the foregoing accounts
 - (4) Notes, which shall comprise of a summary of significant accounting policies and other disclosure requirements provided under PFRS/PAS: *Provided*, That for purposes of complying with the disclosure of the nature and extent of risks arising from financial instruments as required under PFRS 7, disclosure statements may be made based on the general categories of contractual relationships (i.e., UITF-trust, institutional- trust, and individual-trust; other fiduciary; institutional-agency, and individual-agency; and special purpose trust) of the trust/investment management department of a bank with its clients; and
 - (5) Balance sheet as of the beginning of the earliest comparative period when a trust/ investment management department applies an accounting policy retrospectively or when it makes a retrospective restatement of items in the financial statements, or when it reclassifies items in the financial statements.
- c. The balance sheet, income statement and statement of changes in accountabilities shall be presented for each of the general categories of contractual relationships (i.e., UITF-trust, institutional-trust, and individual-trust; other fiduciary; institutional-agency, and individual-agency; and special purpose trust) of the trust/investment management department of a bank with its clients;
- d. Comparative information for periods before 01 January 2008 need not be presented in the AFS for the financial reporting period beginning 01 January 2008: *Provided*, That disclosure statements on the end-2007 balances of total assets of the general categories of contractual relationships of the trust/investment management department of a bank with its clients prepared based on the Generally Accepted Accounting Principles (GAAP) previously applied, shall be presented in the notes to financial statements: *Provided, further*, That comparative periods shall be presented in the AFS for the financial reporting period beginning 01 January 2009 and thereafter.
- e. The following transitory rules and regulations shall govern the accounting treatment of specific

items for purposes of preparing the AFS for the financial reporting period beginning 01 January 2008:

- (1) The provisions of PFRS/PAS shall only be applied to accounts outstanding as of end-December 2008;
- (2) Reclassification of previously recognized financial instruments shall no longer be allowed except as allowed under existing regulations;
- (3) The fair value of ROPA and Investment Properties as of the date of transition to PFRS/PAS may be used as the deemed cost of said properties as of that date: *Provided*, That said ROPA and Investment Properties shall be subsequently accounted for in accordance with the provisions of the FRPTI.

(Circular Nos. 966 dated 11 July 2017 and 880 dated 22 May 2015)

Footnotes

1. Trust entities shall be given six (6) months from 01 August 2017 to make appropriate changes in their policies, processes, and procedures in order to comply with the above requirements.