

GUIDELINES ON THE ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS 9) - CLASSIFICATION AND MEASUREMENT

Section 1. Classification and Measurement of Financial Assets and Financial Liabilities

BSFIs shall classify and measure financial assets and financial liabilities, including those which are designated as hedged items, in accordance with the provisions of PFRS 9. In this respect, BSFIs shall observe the following:

A. **Classification of Financial Assets** – Financial assets shall be classified based on their contractual cash flow characteristics and the business model for holding the instruments.

(1) *Financial assets that are debt instruments.* Financial assets that are debt instruments shall be classified under any of the following categories:

a. **Financial assets measured at fair value through profit or loss (FVPL).** A financial asset shall be measured at fair value through profit or loss, except in the following cases:

- The financial asset is part of a hedging relationship, in which case, the provisions of PFRS 9 on hedge accounting shall apply;
- The financial asset is measured at fair value through other comprehensive income (FVOCI); or
- The financial asset that is a debt instrument is measured at amortized cost.

Financial assets measured at fair value through profit or loss shall consist of the following:

- i. Financial assets held for trading (HFT), which include stand-alone and/or embedded derivatives, except a derivative that is a financial guarantee contract or designated and effective hedging instruments, as defined in PFRS 9;
- ii. Financial assets designated at fair value through profit or loss (DFVPL) as defined in PFRS 9.

BSFIs may, at initial recognition, irrevocably designate financial assets that are debt instruments as measured at fair value through profit or loss in accordance with the condition mentioned under PFRS 9, subject to the following requirements:

- BSFIs shall have in place appropriate risk management systems including related

- risk management policies, procedures, and controls; and
- BSFIs shall apply the fair value option only to instruments for which fair values can be reliably estimated.

iii. Other financial assets which are mandatorily measured at fair value through profit or loss (MMFVPL) refers to financial assets that are required to be measured at fair value through profit or loss under PFRS 9, other than those that are HFT and DFVPL.

b. **Financial Assets at Fair Value through Other Comprehensive Income (FVOCI).** A financial asset measured at FVOCI shall meet both of the following conditions:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

c. **Financial assets measured at amortized cost.** A financial asset that is a debt instrument, other than those that are designated at fair value through profit or loss, which meet both of the following conditions:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(2) *Financial assets that are equity instruments.* Financial assets that are equity instruments shall be classified under any of the following categories:

- a. Financial assets measured at fair value through profit or loss which shall include financial assets HFT;
- b. Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) which shall consist of:
 - i. Financial asset designated at fair value through other comprehensive income (DFVOCI). BSFIs may, at initial recognition, irrevocably designate financial assets that are equity instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies, as measured at fair value through other comprehensive income.

- ii. Financial assets mandatorily measured at fair value. This includes investment in an equity instrument, previously accounted at cost per PAS 39, which does not have a quoted price in an active market for an identical instrument.

B. Classification of Financial Liabilities – Financial liabilities shall be classified and subsequently measured at amortized cost using the effective interest method, except for:

- (1) Financial liabilities measured at fair value through profit or loss. This shall consist of the following:
 - a. Financial liabilities HFT, including derivative liabilities that are not accounted for as hedging instruments; and
 - b. Financial liabilities DFVPL. A BSFI may, at initial recognition, irrevocably designate financial liabilities as measured at fair value through profit or loss subject to the conditions mentioned under PFRS 9 and the regulatory requirements for financial assets DFVPL under Item “A (1) a ii” above.
- (2) Financial liabilities which shall be subsequently measured in accordance with the provisions of PFRS 9, as follows:
 - a. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
 - b. Financial guarantee contracts, as defined under PFRS 9;
 - c. Commitments to provide a loan at a below-market interest rate; and
 - d. Contingent consideration recognized by an acquirer in a business combination.

C. Classification of hybrid contracts and derivatives – Investments in hybrid securities, securities overlying securitization structures, other structured products and credit-linked notes (CLNs) and similar structured products with embedded credit derivatives, as defined under Sec. 624-A shall be classified and measured in accordance with PFRS 9 based on the following guidelines:

- (1) An entire hybrid contract, which contains a host that is an asset within the scope of PFRS 9, shall be classified in accordance with the requirements on the classification of financial assets.
- (2) A hybrid contract, which contains a host that is not an asset within the scope of PFRS 9 shall require the separation of an embedded derivative from the host and the same shall be accounted for as a derivative based on the requirements and conditions provided under the

standard. If an embedded derivative is separated, the host contract and the derivative, individually, shall be accounted for in accordance with appropriate standards.

- (3) If a contract contains one or more embedded derivatives and the host is not an asset within the scope of this Standard, a BSFI may designate the entire hybrid contract as at fair value through profit or loss unless:
- the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or
 - it is clear with little or no analysis when a similar hybrid instrument is first considered that the separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortized cost.
- (4) If a BSFI is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid contract as at fair value through profit or loss.

Section 2. Business Model in Managing Financial Assets

Business model pertains to the manner by which a portfolio of financial assets will be managed to generate cash flows such as by collecting contractual cash flows or by both collecting contractual cash flows and selling the financial assets, among others. BSFIs shall determine the business model for a portfolio of financial assets based on scenarios that are reasonably expected to occur, taking into consideration the expected changes to asset allocations or to balance sheet structure as a result of business strategies. In this respect, these scenarios do not include “worst case” or “stress case” scenarios.

- a) The criteria that will be used in determining the business model for managing financial assets shall be applied to a portfolio of financial assets and not on an instrument-by-instrument basis.
- b) Business models for managing financial assets shall be observed through specific activities being undertaken by the BSFI to achieve their stated objectives. A BSFI shall exercise sound judgment and shall use all relevant evidences available at the date of assessment in determining the business model for managing portfolios of financial assets. Such relevant evidences include but are not limited to:
- Risks affecting the performance of financial assets and the business model and how these

risks will be managed;

- Frequency, volume, timing and nature of sales in prior periods, the reasons for such sales, and expectations about future sales activity;
 - The manner by which business model and the financial assets held within it are evaluated (e.g., based on trading income) and reported to the BSFI's board of directors or any equivalent position in the case of branches of foreign banks and senior management; and
 - The basis for compensation of concerned personnel and/officers (e.g., whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected).
- c) Business models for managing financial assets shall be approved by the board of directors and shall be adequately documented. The documentation for each business model shall include, among others, detailed description of specific business objectives (whether to hold in order to collect contractual cashflows, to sell or both); cases of sales and/or derecognition of financial assets and conditions for changes in business model that are considered consistent with the provisions of PFRS 9; and appropriate level of authority designated to approve determination of business model of specific portfolios of financial assets as well as the sales, derecognition, and changes in business model of financial assets.
- d) Changes in business model are expected to be rare and shall be determined as a result of external or internal changes which are significant to the BSFI's operations and evident to external parties. Change in intention related to the management of particular financial assets does not constitute a change in business model. The change in business model shall be approved by the appropriate level of authority based on sound justifications and in accordance with accounting standards. The qualitative and quantitative impact of the change in business model shall be adequately documented and appropriately disclosed in the audited financial statements in line with the disclosure of risk management policies on the relevant risk exposure.
- e) All affected financial assets shall be reclassified when, and only when, a BSFI changes its business model for managing financial assets in accordance with the provisions of Item "(d). *Financial liabilities*" are not allowed to be reclassified.

If cash flows are realized in a way that is different from the expectations at the date at which the BSFI assessed the business model, it does not constitute a change in the classification of the remaining financial assets as long as the BSFI considered all relevant and objective information available when it initially made the business model assessment.

In cases where a BSFI changes a business model, the financial assets within the said model shall not be reclassified within the reporting period that the change in business model was made. The reclassification in this case shall only take effect in the next financial reporting month. In this respect, any previously recognized gains, losses or interest shall not be restated.

Section 3. Contractual Cash Flow Characteristics

- a) In order for a financial asset to be classified and measured at amortized cost or FVOCI, the contractual terms of the financial asset must give rise on specific dates to cash flows that are SPPI on the principal amount outstanding. A financial asset that does not meet the SPPI criterion shall be measured at FVPL, unless it is an equity instrument which shall be classified and measured at FVOCI.
- b) The cashflows that are considered SPPI are consistent with basic lending arrangement where the principal is the fair value of the financial asset at initial recognition and the interest represents consideration for the time value of money, credit risk, profit margin and other basic lending risks and costs associated with holding the financial asset for a particular period of time.
- c) A BSFI shall determine if the contractual cashflows are SPPI in accordance with the provisions of PFRS 9. In this respect, a BSFI shall assess the contractual terms of a financial instrument before investing in the same and determine if such instrument introduces exposure to risks or volatility that is unrelated to a basic lending arrangement.
- d) Policies and procedures shall include guidelines in performing the SPPI assessment, and shall identify the units responsible for conducting and reviewing the propriety of the assessment as well as the documentation supporting the classification of financial assets.

Section 4. Supervisory Expectations on Classification and Measurement of Financial Assets and Financial Liabilities

- a) The business model for managing financial assets shall be assessed in line with the BSFI's internal risk management policies such as credit, market and liquidity risk management. For instance, the financial assets classified and measured at FVPL are commonly associated with the management of market risks since the business model objective is to actively trade the securities. On the other hand, financial assets which were classified and measured at amortized cost mostly relate to the management of credit risk and/or interest rate risk in the banking book since there is no intent to sell the financial asset prior to maturity.
- b) The business model for managing financial assets shall be assessed based on the objective

information on the activities undertaken for the portfolios of financial assets. This shall include the comparison of frequency of sales activities across portfolios of financial assets. Portfolios of financial assets that are held for trading are expected to exhibit more frequent and higher turnover as compared with financial assets managed under a hold to collect cash flow and sell business model.

- c) The manner by which the performance of financial assets is measured given a specific business model shall be assessed. Key performance indicators should be consistent with the specific business models for portfolios of financial assets. For instance, the performance of financial assets accounted at fair value through profit or loss may be gauged through actual trading/capital gains since the objective is to optimize earnings from interest rate volatilities/price movements. Performance of financial assets classified at amortized cost may be measured through (net) interest income since the objective is to generate accrual income from long-term investments. The results of the impairment testing and credit review of accounts may likewise be considered.
- d) Bases for incentives or compensation granted to personnel involved in managing specific portfolios of financial assets shall be evaluated in line with the expected activities under a specific business model.
- e) The roles and responsibilities of units involved in the management, monitoring, and reporting of performance of financial assets for specific business models shall be clearly defined. Pursuant to Sect. 146 (*Duties and Responsibilities*) the Bangko Sentral shall assess the effective implementation of the three lines of defense, which shall include the evaluation of the propriety of segregation of functions.

For instance, part of the first line of defense is the trading desk which is expected to manage financial assets that are measured at FVPL as these assets are usually acquired for short term profit taking. On the other hand, the asset/liability management desk is expected to manage financial assets classified as FVOCI since the financial assets booked under said classification are being used to manage the BSFI's liquidity position or to maintain a particular interest yield profile or duration.

The delineation of the roles and responsibilities of the second and third lines of defense shall be evaluated as well as the effectiveness of the scope and frequency of their review. These lines of defense are expected to evaluate consistency of internal policies and practices with the provisions of PFRS 9 and adherence of the BSFI with established policies.

- f) The review of the second and third lines of defense shall cover, among others, the assessment of

the following:

- i. Comprehensiveness of reports submitted to the board or senior management. These should include the risks that may affect the performance of the business model; consistency of the performance of the financial assets held within the business model against strategic and financial objectives; and results of internal and external validation on management and monitoring of business model.
- ii. Propriety of sales or derecognition of financial assets based on the business model for managing the same. For instance, the BSFI decides to sell a portion of a portfolio of financial assets held and measured at amortized cost, a review should be conducted to ascertain whether the business models has not changed as a result of such sale. In case of change in business model, the self-assessment functions shall look into the circumstances that triggered the decisions to change, consistency of said decision with internal policies and principles of the standard, propriety of the governance process, and adequacy of documentation.

Section 5. Financial Instruments Under Management of Trust Entities

Consistent with the expectations from BSFIs on the adoption of PFRS 9, as provided under Item “d” of Sec. 172 (*Philippine Financial Reporting Standards/Philippine Accounting Standards*), the board of directors of a trust entity (TE) shall ensure that the TE appropriately and consistently adopts PFRS 9 as part of its reporting governance process.

In this respect, the board of directors shall approve policies and guidelines relative to the classification and measurement of financial assets under management of the TE.

The TE shall adhere to the provisions of Sections 1 to 4 of these guidelines on the classification and measurement of financial assets, to the extent applicable to trust operations. In addition, considering that the management of financial assets under the administration of the TE shall vary for each client, the TE shall be governed by the following:

- a. The board of directors shall approve the business models that will be adopted by the TE for managing the financial assets of clients under its administration. Such business models shall be in accordance with pre-defined investment objectives. For this purpose, the TE may use as guide the industry convention on the mapping of investment objectives to the corresponding business models.
- b. The TE shall use only the board-approved business models in determining the business model/s

for each client's financial assets. The assignment of the applicable business model/s, which shall be consistent with the client's investment objectives, liquidity requirement, and investment horizon, shall no longer require a separate approval. The classification of financial assets for each client shall be aligned with the business model/s determined by the TE.

c. For existing accounts, the TE shall assess the impact of the new classification of financial assets on the performance indicator/s set for the client.

(1) If the new classification will have a significant unfavorable impact on the performance indicator/s set for the client, a consent or conforme shall be obtained from the client or the authorized signatory/ies of the client, as applicable. The consent or conforme shall document in plain and clearly understandable language: (a) the business model/s determined by the TE in the management of the client's financial assets; (b) a brief description of the new classification; and (c) the corresponding impact on the performance indicator/s set for the client.

A negative consent or conforme may be allowed, subject to the following conditions:

(a) the TE has an adequate monitoring process to ensure actual receipt of the notification by the client;

(b) the client shall be given a reasonable time to respond to the negative consent or conforme or to raise concern/query, if any; and

(c) the client is allowed to amend the business model determined by the TE in the management of the client's portfolio within a reasonable period.

(2) If the new classification will not have a significant unfavorable impact on the performance indicator/s set for the client, the TE shall provide appropriate disclosure in the financial reports provided or made available to the client. The disclosure shall document in plain and clearly understandable language: (a) the business model/s determined by the TE in the management of the client's financial assets; and (b) a statement allowing the client to discuss with the TE any concern/query on the change in the classification of the financial assets of the client.

d. For new accounts opened after the effectivity of these guidelines, the business model/s determined by the TE in the management of the client's financial assets shall be documented in plain and clearly understandable language in the investment policy statement or letter of instruction, whichever is applicable.

e. Reclassification of assets may be allowed if there is a change in the business model/s determined

in the management of the client's financial assets.

Any change in the business model/s determined by the TE in the management of the client's financial assets shall be supported by a change in the client's investment objective. In order to strengthen controls and prevent potential abuse, the TE shall have adequate policies and procedures, duly approved by the board of directors, covering, among others, the review process, minimum required documentation, and monitoring mechanism for the change in the business model/s determined by the TE in the management of each client's financial asset/s.

Section 6. Reporting guidelines.

Prudential reports shall be prepared using the existing templates of the Financial Reporting Package (FRP)/FRP for Trust Institutions (FRPTI). The mapping of PFRS 9 based accounts to the existing FRP/Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expenses (CSIE) and FRPTI template is provided in Annex A of this guidelines.

(Circular No. 1023 dated 04 December 2018 and 1011 dated 14 August 2018)

Annex A

Mapping of Philippine Financial Reporting Standards 9 (PFRS 9) Accounts in the Financial Reporting Package (FRP)

Banks, including their trust departments, shall report financial assets and financial liabilities using the existing account titles of the FRP based on the mapping of accounts provided below:

1. Banks

Table 1. Financial Assets Measured at Fair Value Through Profit or Loss

PFRS 9 Accounts	FRP Accounts
Balance Sheet Accounts	
1. Financial Assets Measured at Fair Value Through Profit or Loss	
a. Financial Assets Held for Trading (HFT)	1. Financial Assets Held for trading
i. HFT Debt Securities	a. HFT Securities
ii. HFT Equity Securities	

iii. Derivatives with Positive Fair Value Held for Trading (stand-alone and embedded derivatives)	b. Derivatives with Positive Fair Value Held for Trading
(FRP Account will no longer be used)	c. Derivatives Carried at Cost
b. Financial Assets Designated at Fair Value Through Profit or Loss (DFVPL)	2. Financial Assets Designated at Fair Value Through Profit or Loss
c. Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss (MMFVPL)	
Income Statement Accounts	
1. Interest Income	1. Interest Income
a. Financial Assets Measured at Fair Value Through Profit or Loss	a. Financial Assets Held for Trading
i. HFT Debt Securities	i. HFT Securities
ii. Derivatives with Positive Fair Value Held for Trading (stand-alone and embedded derivatives)	ii. Derivatives with Positive Fair Value Held for Trading
b. Financial Assets Designated at Fair Value Through Profit or Loss (DFVPL)	b. Financial Assets Designated at Fair Value Through Profit or Loss
c. Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss (MMFVPL)	
2. Gains/(Losses) on Financial Assets and Liabilities Held for Trading	2. Gains/(Losses) on Financial Assets and Liabilities Held for Trading
a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
b. Unrealized Gains/(Losses) from Marking to Market	b. Unrealized Gains/(Losses) from Marking to Market
c. Realized Gains/(Losses) from Foreign Exchange Transactions	c. Realized Gains/(Losses) from Foreign Exchange Transactions
3. Gains/(Losses) on Financial Assets and Liabilities DFVPL	3. Gains/(Losses) on Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss
a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
b. Unrealized Gains/(Losses) from Marking to Market	b. Unrealized Gains/(Losses) from Marking to Market
4. Gains/(Losses) on Financial Assets and Liabilities MMFVPL	4. Gains/(Losses) on Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss
a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
b. Unrealized Gains/(Losses) from Marking to Market	b. Unrealized Gains/(Losses) from Marking to Market

Table 2. Financial Assets Measured at Fair Value Through other Comprehensive Income (FVOCI)

PFRS 9 Accounts	FRP Accounts
Balance Sheet Accounts	

1. Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)	1. Available for Sale (AFS) Financial Assets
a. Debt Securities at FVOCI	a. AFS Debt Securities
b. Equity Securities at FVOCI	b. AFS Equity Securities
i. Designated at FVOCI	
ii. Mandatorily Measured at Fair Value	
(FRP Account will no longer be used)	2. Allowance for Credit Losses
2. FVOCI - Net of Accumulated market gains/losses	3. AFS Financial Assets - Net
3. Other Comprehensive Income	4. Other Comprehensive Income
a. Net Unrealized Gains/(Losses) on Financial Assets at FVOCI ¹	a. Net Unrealized Gains/(Losses) on AFS Financial Assets
i. Debt Securities at FVOCI	i. AFS Debt Securities
ii. Equity Securities at FVOCI	ii. AFS Equity Securities
b. Realized and Cumulative/ Gains/(Losses) on Equity Securities Designated at FVOCI	b. Others
Income Statement Accounts	
1. Interest Income	1. Interest Income
a. Financial Assets Measured at Fair Value Through Other Comprehensive Income	a. Available for Sale (AFS) Financial Assets
2. Gains/(Losses) from Sale/ Redemption/ Derecognition of Financial Assets and Liabilities Measured at FVOCI	2. Gains/(Losses) from Sale Redemption/Derecognition of Non-Trading Financial Assets and Liabilities
a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
i. Debt Securities at FVOCI	
ii. Equity Securities Mandatorily Measured at Fair Value	
(FRP Account will no longer be used)	b. Gains/(Losses) on Reclassification from AFS to HTM

Table 3. Financial Assets Measured at Amortized Cost

PFRS 9 Accounts	FRP Accounts
Balance Sheet Accounts	
1. Debt Securities Measured at Amortized Cost	1. Held-to-Maturity (HTM) Financial Assets
(FRP Account will no longer be used)	2. Unquoted Debt Securities Classified As Loans
(FRP Account will no longer be used)	3. Investments in Non-Marketable Equity Securities
Income Statement Accounts	

1. Interest Income	1. Interest Income
a. Debt Securities at Amortized Cost	a. Held-to-Maturity (HTM) Financial Assets
	b. Unquoted Debt Securities at Amortised Cost
2. Gains/(Losses) from Sale/Redemption/ Derecognition of Financial Assets and Liabilities Measured at Amortized Cost	2. Gains/(Losses) from Sale/ Redemption/ Derecognition of Non-Trading Financial Assets and Liabilities
a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities

Table 4. Financial Liabilities Measured at Amortized Cost

PFRS 9 Accounts	FRP Accounts
Balance Sheet Accounts	
Balance Sheet Accounts - Financial liabilities measured at amortized cost under PFRS 9 shall be booked based on corresponding liability accounts in the FRP.	
Income Statement Accounts	
1. Gains/(Losses) from Sale/ Redemption/ Derecognition of Financial Assets and Liabilities Measured at Amortized Cost	1. Gains/(Losses) from Sale/ Redemption/ Derecognition of Non-Trading Financial Assets and Liabilities
a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
i. Financial Liability at Amortized Cost	

Table 5. Financial Liabilities Measured at Fair Value Through Profit or Loss

PFRS 9 Accounts	FRP Accounts
Balance Sheet Accounts	
1. Financial Liabilities Measured at Fair Value Through Profit or Loss	
a. Financial Liabilities Held for Trading (HFT)	1. Financial Liabilities Held for Trading
i. Derivatives with Negative Fair Value Held for Trading (stand-alone and embedded derivatives)	a. Derivatives with Negative Fair Value Held for Trading
ii. Liability for Short Position	b. Liability for Short Position
b. Financial Liabilities Designated at Fair Value Through Profit or Loss (DFVPL)	2. Financial Liabilities Designated at Fair Value Through Profit or Loss
2. Other Comprehensive Income	3. Other Comprehensive Income
a. Net Unrealized Gains/(Losses) on Financial Liabilities Designated at FVPL attributable to changes in credit risk	a. Others
Income Statement Accounts	
1. Interest Expense	1. Interest Expense

a. Financial Liabilities Measured at Fair Value Through Profit or Loss	
i. Financial Liabilities Held For Trading	a. Financial Liabilities Held For Trading
• Derivatives with Negative Fair Value Held for Trading (stand-alone and embedded derivatives)	i. Derivatives with Negative Fair Value Held for Trading (stand-alone and embedded derivatives)
• Liability for Short Position	ii. Liability for Short Position
b. Financial Liabilities Designated at Fair Value Through Profit or Loss (DFVPL)	b. Financial Liabilities Designated at Fair Value Through Profit or Loss
2. Gains/(Losses) on Financial Assets and Liabilities Held for Trading	2. Gains/(Losses) on Financial Assets and Liabilities Held for Trading
a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
b. Unrealized Gains/(Losses) from Marking to Market	b. Unrealized Gains/(Losses) from Marking to Market
c. Realized Gains/(Losses) from Foreign Exchange Transactions	c. Realized Gains/(Losses) from Foreign Exchange Transactions
3. Gains/(Losses) on Financial Assets and Liabilities DFVPL	3. Gains/(Losses) on Financial Assets and Liabilities DFVPL
a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
b. Unrealized Gains/(Losses) from Marking to Market, except for changes in fair value attributable to changes in credit risk	b. Unrealized Gains/(Losses) from Marking to Market

2. Trust Departments

Table 1. Financial Assets Measured at Fair Value through Profit or Loss

PFRS 9 Accounts	FRP Accounts
Financial Assets Measured at Fair Value through Profit or Loss	Financial Assets at Fair Value through Profit or Loss
a. Debt and Equity Securities	a. Debt and Equity Securities
b. Derivatives with Positive Fair Value	b. Derivatives with Positive Fair Value

Table 2. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

PFRS 9 Accounts	FRP Accounts
1. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1. Available for Sale (AFS) Financial Assets
(a) Debt Securities at FVOCI	(a) AFS Debt Securities
Unamortized Discount/Premium	Unamortized Discount/Premium
Debt Securities at FVOCI (at amortized cost)	AFS Debt Securities (at amortized cost)

Accumulated Market Gains/Losses	Accumulated Market Gains/Losses
Debt Securities at FVOCI (Fair Value)	AFS Debt Securities (Fair Value)
(b) Equity Securities at FVOCI i. Designated at FVOCI ii. Mandatorily Measured at Fair Value	(b) AFS Equity Securities
Accumulated Market Gains/Losses	Accumulated Market Gains/Losses
Equity Securities at FVOCI(Fair Value)	AFS Equity Securities (Fair Value)
(FRP Account will no longer be used)	Allowance for Credit Losses
FVOCI - Net of Accumulated market gains/losses	AFS Financial Assets - Net
Accountabilities	Accountabilities
1. Net Unrealized Gains/(Losses) on Financial Assets at FVOCI ²	1. Net Unrealized Gains/(Losses) on AFS Financial Assets
a. Debt Securities at FVOCI	a. Debt Securities
b. Equity Securities at FVOCI	b. Equity Securities
2. Realized and Cumulative/Gains/(Losses) on Equity Securities Designated at FVOCI	2. Miscellaneous Liabilities

Table 3. Financial Assets Measured at Amortized Cost

PFRS 9 Accounts	FRP Accounts
1. Debt Securities Measured at Amortized Cost	1. Held-to-Maturity (HTM) Financial Assets
Unamortized Discount/Premium	Unamortized Discount/Premium
Debt Securities Measured at Amortized Cost - Net of Amortization	HTM Financial Assets - Net of Amortization
Less: Allowance for Credit Losses	Less: Allowance for Credit Losses
Debt Securities Measured at Amortized Cost - Net	HTM Financial Assets - Net
(FRP Account will no longer be used)	2. Unquoted Debt Securities Classified as Loans
(FRP Account will no longer be used)	3. Investments in Non-Marketable Equity Securities

(Circular No. 1023 dated 04 December 2018 and 1011 dated 14 August 2018)

Footnotes

1. Loss allowance should also be recognized in Other Comprehensive Income
2. Loss allowance should also be recognized in Other Comprehensive Income