Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

SEC Memorandum Circular No. 3
Series of 2012

REVISED GUIDELINES ON THE IMPLEMENTATION OF PFRS 9 (FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT)

On 24 May 2012, the Commission adopted as part of its rules and regulations on financial reporting the *Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*, which involve the following revisions to the original PFRS 9:

(a) Change of the original **01 January 2013** mandatory effective date of PFRS 9 to **01 January 2015**;
(b) Modification of the relief from restating prior periods; and
(c) Additional required disclosures on transition from PAS 39, *Financial Instruments: Recognition and Measurement* to PFRS 9.

In view of the change in the mandatory effective date of PFRS 9, there is a need to revise SEC Memorandum Circular No. 3, series of 2011 *(Guidelines on the Implementation of PFRS 9 – Financial Instruments: Recognition and Measurement)* which was issued on 16 May 2011 requiring covered companies[1] an assessment and disclosure of the financial impact of an early adoption of the subject standard. Said Circular was issued to address concerns on the possible significant impact of an early adoption of PFRS 9 by covered companies[2] and the need for transparency and availability of sufficient information for economic decision-making of the users of financial statements.

NOW, THEREFORE, the relevant provisions of the Guidelines should now read, as follows:

1. Covered companies shall conduct a study every second quarter of the fiscal year up to 2014 on the impact of an early adoption of PFRS 9 on

[1] The following companies are covered by the Guidelines:
(a) Large corporations with total assets of more than P350 Million and total liabilities of P250 Million, and publicly-accountable entities that are mandated to adopt Philippine Financial Reporting Standard (PFRS);
(b) Small and medium entities that are exempted from PFRS for SMEs and have opted to adopt PFRS.

their financial statements. The assessment shall use as basis the company's audited financial data as of the most recently-completed fiscal year.

2. For covered companies that are required to submit interim financial statements to the Commission, they shall comply with the following requirements:

   (a) Interim financial statements (FS) starting with the period ended 30 June 2012 up to 30 June 2014 shall contain a disclosure on whether or not the company conducted an evaluation on the possible financial impact of the adoption of PFRS 9 pursuant to paragraph (1) above. The reason for not conducting an impact study shall be indicated in the interim report.

   (b) If the company conducted an impact evaluation, the interim FS shall contain a disclosure on whether or not it will early adopt PFRS 9 in its annual financial reporting for the current year. In case the decision is to early adopt PFRS 9, the interim financial statements shall include a discussion on the qualitative and quantitative results of the company's impact evaluation.

   An entity that will not early adopt PFRS 9 in the current year shall comply with the requirements under paragraphs (1) and (2)(a) in the succeeding interim periods up to 30 June 2014.

The foregoing shall supersede the 16 May 2011 Guidelines issued by the Commission to the extent of the interim financial reporting starting with fiscal year 2012. Thus, all the requirements of the 16 May 2011 Guidelines pertaining to the 2011 interim financial reporting shall remain enforceable.

Failure to comply with the Guidelines shall be considered a violation of the requirements of the Commission on interim financial reporting.

28 May 2012, Mandaluyong City, Philippines.

For the Commission:

TERESITA J. HERBOSA
Chairperson