



Accounting Disclosures for Banks, Lending and Financing and Companies

Outline of Discussion

- ▶ Definition of Terms and Features of Banks, Lending and Financing Companies
- ▶ Disclosures

Definition of Terms

Banks

- ▶ entities engaged in the lending of funds obtained in the form of deposits (RA No. 8791, “The General Banking Law of 2000”)

Reportorial Requirements

- ▶ See Appendix to Sec. X162 of MORB
<http://www.bsp.gov.ph/downloads/regulations/morb.pdf>

Definition of Terms

Lending Companies

- ▶ are lending investors and refer to a corporation engaged in granting loans from its own capital or from funds sourced from not more than nineteen (19) persons.
- ▶ It shall not be deemed to include banking institutions, investment houses, savings and loan associations, financing companies, pawnshops, insurance companies, cooperatives and other credit institutions already regulated by law (RA No. 9474, “Lending Company Regulation Act of 2007)

Features

Lending Companies must be

- ▶ a stock corporation
- ▶ Corporate name shall include “Lending Company”, “Lending Investor” or any descriptive to identify its primary purpose of granting of loans to the public must be used
- ▶ Terms commonly used with “Financing Companies” shall not be allowed

Features

Lending Companies must be

- ▶ Minimum paid up capitalization is P1M while branches shall have the following capitalization:
 - Metro Manila and other 1st Class Cities – P300,000
 - 2nd Class Cities – P150,000
 - Municipalities – P75,000
- ▶ This capitalization shall be the source of funds for the lending public
- ▶ Could borrow for not more than 19 persons
- ▶ 51% to be used in lending activities

Features

Lending Companies must be

- ▶ Reportorial Requirements:
 - General Information Sheet/GIS (30 days from annual meeting)
 - Audited FS/AFS (120 days from end of fiscal year)
 - Special Form FS/LCFS in Electronic Format (30 days from the date of filing of Audited FS)
 - Interim Semi-annual FS/LCIF (Every July 15 and January 15)
 - Revised Anti-Money Laundering Operating Manual AMLOM P10 million or more paid up capital; and/or More than 40% foreign equity (within 30 days from issuance of CA or within 30 days from the date the company became covered)

Features

Lending Companies must be

- ▶ Reportorial Requirements (continued):
 - Revised Anti-Money Laundering Operations Manual/AMLOM (Within 30 days from the date the company became covered)
 - AMLA Compliance Form AMLA-CF
 - Quarterly Report of Issuers of Exempt Commercial Paper Q-EPS (within 30 days from end of each quarter)

Features

Lending Companies must be

- ▶ Reportorial Requirements (continued):
 - Location map of the exact principal office address (signed under oath by the President and Corporate Secretary) - Immediate
- ▶ To be filed with the SEC (except for those that are subsidiaries or affiliates of banks and quasi-bank under the supervision of the BSP)

Definition of Terms

Financing Companies

- ▶ are corporations, except banks, investments houses, savings and loan associations, insurance companies, cooperatives, and other financial institutions
- ▶ organized or operating under other special laws, which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises, by direct lending or by discounting or factoring commercial papers or accounts receivable, or by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by financial leasing of movable as well as immovable property (RA No. 8556, " Financing Company Act of 1998 Amending RA No. 5980)

Features

Financing Companies must be

- ▶ Minimum paid up capitalization is P10M while branches shall have the following capitalization:
 - Metro Manila and other 1st Class Cities – P5M
 - 2nd Class Cities and Municipalities– P2.5M
- ▶ No foreign national may be allowed to own stock in any financing company unless the country of which he is a national accords the same reciprocal rights to Filipinos in the ownership of financing companies or their counterpart entities in such country

Features

Financing Companies has the following powers:

- ▶ Engage in quasi-banking and money market operations with the prior approval of the BSP;
- ▶ Engage in trust operations subject to the provisions of the General Banking Act upon prior approval by the BSP;
- ▶ Issue bonds and other capital instruments subject to pertinent rules and regulations of the BSP;
- ▶ Rediscount their paper with government financial institutions subject to relevant laws, rules and regulation

Features

Financing Companies has the following powers:

- ▶ Participate in special loan or credit programs sponsored by or made available through government financial institutions; and
- ▶ Provide foreign currency loans and leases to enterprises who earn foreign currency by exports or other means, subject to existing laws and rules and regulations promulgated by the BSP.

Features

Financing Companies: Form of Organization and Capital Requirements

- ▶ Participate in special loan or credit programs sponsored by or made available through government financial institutions; and
- ▶ Provide foreign currency loans and leases to enterprises who earn foreign currency by exports or other means, subject to existing laws and rules and regulations promulgated by the BSP.

Features

Financing Companies must be

- ▶ Reportorial Requirements:
 - General Information Sheet/GIS (30 days from annual meeting)
 - Audited FS/AFS (120 days from end of fiscal year)
 - Special Form FS/FCFS in Electronic Format (30 days from the date of filing of Audited FS)
 - Annual Information Statement/AIS (Every 30th day of January for Commercial Paper Issuer)
 - Interim Semi-annual FS/FCIF (Every July 15 and January 15)

Features

Financing Companies must be

- ▶ Reportorial Requirements (continued):
 - Revised Anti-Money Laundering Operations Manual/AMLLOM (Within 30 days from the date the company became covered)
 - AMLA Compliance Form AMLA-CF
 - Revised Manual on Corporate Governance (Within 30 days from the date the company became covered)
 - Every 3 years thereafter from the actual receipt of the Manual on Corporate Governance)
 - Quarterly Report of Issuers of Exempt Commercial Paper Q-EPS (within 30 days from end of each quarter)

Features

Financing Companies must be

- ▶ Reportorial Requirements (continued):
 - Corporate Secretary's Certificate on the attendance of directors on the board meetings (for the whole year) - On or before January 30 of the following year
 - Compliance Officer's Certificate on the extent of compliance to the Manual of Corporate Governance/SEC Form MCG 2002 - On or before January 30 of the following year
 - Location map of the exact principal office address (signed under oath by the President and Corporate Secretary) - Immediate

Disclosure References (See Handouts)

- ▶ General Disclosures Based on PFRS 7
- ▶ Disclosure Based on Manual of Regulations for Banks (MORB)
- ▶ Disclosure Based on Manual of Regulations for Non-Bank Financial Institutions (MORNBF1)

