

[BSP CIRCULAR NO. 555, s. 2007, January 17, 2007]

AMENDMENT TO CIRCULAR NO. 520 ON THE TIMING OF BOOKING OF REAL AND OTHER PROPERTIES ACQUIRED (ROPA)

The Monetary Board in its Resolution No. 10 dated 4 January 2007, approved the following amendment to Circular No. 520 dated 20 March 2006 on the revised accounting guidelines for Real and Other Properties Acquired (ROPA).

Section 3 (c.1) of Circular No. 520 is hereby amended to read as follows:

"1. Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dation in payment shall be booked under the ROPA account as follows:

- i. Upon entry of judgment in case of judicial foreclosure;
- ii. Upon execution of the Sheriff's Certificate of Sale in case of extrajudicial foreclosure; and
- iii. Upon notarization of the Deed of Dacion in case of dation in payment
(dacion en pago).

Real and other properties acquired shall be booked initially at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less allowance for credit losses computed based on PAS 39 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PAS 39 provisioning requirements) plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property): *Provided*, That if the carrying amount of ROPA exceeds P5 million, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP."

This Circular shall take effect fifteen (15) calendar days after its publication either in the Official Gazette or in a newspaper of general circulation.

Adopted: 12 Jan. 2007