



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 767
Series of 2012

Subject: Amendments to Unit Investment Trust Funds (UITFs) Regulations

The Monetary Board in its Resolution No. 1468 dated 6 September 2012 approved the following guidelines governing investor funds.

Section 1. Subsection X410.1 and X4410Q.1 are hereby amended to read as follows:

"Subsection X410.1/4410Q.1 Definitions

- "a. *Unit Investment Trust Funds.* X X X
- b. *Trust Entity.* A (A) BANK OR A NON-BANK FINANCIAL INSTITUTION, THROUGH ITS SPECIFICALLY DESIGNATED BUSINESS UNIT TO PERFORM TRUST FUNCTIONS, OR (B) TRUST CORPORATION, AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS (BSP) TO ENGAGE IN TRUST AND OTHER FIDUCIARY BUSINESS UNDER SECTION 79 OF R. A. NO. 8791 (THE GENERAL BANKING LAW OF 2000) OR TO PERFORM INVESTMENT MANAGEMENT SERVICES UNDER SECTION 53 OF R. A. NO. 8791.
- c. *Board of Directors.* X X X
- d. *COLLECTIVE INVESTMENT SCHEME.* AN INVESTMENT VEHICLE WHERE FUNDS ARE SOLICITED FROM INVESTORS FOR COLLECTIVE INVESTMENT AND WHICH ARE MANAGED FOR THE ACCOUNT OF SUCH INVESTORS.
- e. *FEEDER FUND.* A UIT FUND STRUCTURE THAT MANDATES THE FUND TO INVEST AT LEAST NINETY PERCENT (90%) OF ITS ASSETS IN A SINGLE COLLECTIVE INVESTMENT SCHEME.
- f. *FUND-OF-FUNDS.* A UIT FUND STRUCTURE THAT MANDATES THE FUND TO INVEST AT LEAST NINETY PERCENT (90%) OF ITS ASSETS IN MORE THAN ONE (1) COLLECTIVE INVESTMENT SCHEME.
- g. *TARGET FUND.* A LOCAL OR FOREIGN COLLECTIVE INVESTMENT SCHEME IN WHICH THE UIT FUND INVESTS ALL OR A PORTION OF ITS ASSETS.
- h. *INVESTOR FUND.* A UIT FUND CREATED TO TAKE THE FORM OF A FEEDER FUND OR A FUND-OF-FUNDS AND IS APPROVED BY THE BSP UNDER EXISTING BSP REGULATIONS.
- i. *RELATED PARTY/COMPANY.* FOR THE PURPOSE OF THIS SECTION, THE TERM REFERS TO ANOTHER ENTITY WHICH IS THE TRUST ENTITY'S (A) PARENT OR HOLDING COMPANY OR (B) SUBSIDIARY OR AFFILIATE, AND WHOLLY OR MAJORITY-OWNED OR -CONTROLLED ENTITIES OF SUCH SUBSIDIARIES."
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Section 2. "**Subsection X410.2/4410Q.2** are hereby amended to read as follows:

"Subsection X410.2/4410Q.2 Establishment of a Unit Investment Trust Fund. Any trust entity authorized to perform trust functions may establish, administer and maintain one (1) or more UIT Funds subject to applicable provisions under this Section. A UIT FUND MAY BE ALLOWED TO OPERATE AS A FEEDER FUND, OR A FUND-OF-FUNDS; PROVIDED, THAT THE PLAN RULES AND RELATED DOCUMENTS SHALL STATE THAT THE UIT FUND IS A FEEDER FUND OR A FUND-OF-FUNDS, AND PROVIDE AN EXPLANATION OR ILLUSTRATION OF SUCH STRUCTURES;"

Section 3. "**Subsection X410.7/4410Q.7** are hereby amended to read as follows:

"Subsection X410.7/4410Q.7 Minimum disclosure requirements.

"a. Disclosure of UIT Fund investments. x x x The list of investment outlets shall be updated quarterly.

FOR INVESTMENTS OF FEEDER FUNDS/FUND-OF-FUNDS, THE TRUSTEE SHALL LIKEWISE MAKE AVAILABLE TO ALL UIT FUND CLIENTS ALL RELEVANT INFORMATION ON THE TARGET FUND/S."

Section 4. "**Subsection X410.8/4410Q.8** are hereby amended to read as follows:

"Subsection X410.8/4410Q.8 Exposure limits. The combined exposure of the UIT Fund to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the UIT Fund: *Provided*, That, a UIT Fund invested, partially or substantially, in exchange traded equity securities shall be subject to the fifteen percent (15%) exposure limit to a single entity/issuer: *Provided, further*, That, in the case of an exchange traded equity security which is included in an index and tracked by the UIT Fund, the exposure of the UIT Fund to a single entity shall be the actual benchmark weighting of the issuer or fifteen percent (15%), whichever is higher.

This limitation shall not apply to non-risk assets as defined by the BSP.

IN THE CASE OF FEEDER FUND/FUND-OF-FUNDS, THE EXPOSURE LIMIT SHALL BE APPLIED ON THE TARGET FUND'S UNDERLYING INVESTMENTS. FURTHERMORE, THE INVESTMENTS IN ANY ONE TARGET FUND SHALL NOT EXCEED TEN PERCENT (10%) OF THE TOTAL NET ASSET VALUE OF THE TARGET FUND.

In case the limits PRESCRIBED ABOVE ARE breached due to the marking-to-market of certain investment/s or any extraordinary circumstances, e.g., abnormal redemptions which are beyond the control of the trustee, the trustee shall be given thirty (30) days from the time the limit is breached, OR IN THE CASE OF INVESTOR FUNDS, 30 DAYS FROM DATE OF RECEIPT OF REPORT INDICATING THE NET ASSET VALUE OF THE FUND, to correct the same."

Section 5. **"Subsection X410.9/4410Q.9** are hereby amended to read as follows:

"Subsection X410.9/4410Q.9 Allowable investments and valuation. UIT Fund investments shall be limited to bank deposits and the following financial instruments:

"(a) Securities issued by or guaranteed by the Philippine government, or the BSP;

x x x

(G) UNITS/SHARES IN COLLECTIVE INVESTMENT SCHEMES, I.E., TARGET FUNDS, SUBJECT TO THE FOLLOWING:

1. THE INVESTMENT OBJECTIVES OF THE TARGET FUND ARE ALIGNED WITH THAT OF THE INVESTOR FUND,
2. THE UNDERLYING INVESTMENTS OF TARGET FUNDS ARE LIMITED TO THE ALLOWABLE INVESTMENT OUTLETS SET FORTH IN THIS SUBSECTION,
3. THE TARGET FUND HAS NO INVESTMENT IN OTHER COLLECTIVE INVESTMENT SCHEMES, AND
4. THE TARGET FUND IS SUPERVISED BY A REGULATORY AUTHORITY, AS FOLLOWS:
 - a. A LOCAL TARGET FUND SHALL EITHER BE APPROVED BY THE BANGKO SENTRAL NG PILIPINAS OR REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.
 - b. A TARGET FUND CONSTITUTED IN ANOTHER JURISDICTION SHALL BE REGISTERED/AUTHORIZED/APPROVED, AS THE CASE MAY BE, IN ITS HOME JURISDICTION BY A REGULATORY AUTHORITY THAT IS A MEMBER OF THE INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS (IOSCO).

(H) Such other tradable investments outlets/categories as the BSP may allow.

Provided, That the investment of the peso UIT Fund in tradable foreign currency-denominated financial instruments shall be subject to Items "e" and "f" of Subsec. X409.6.

X X X"

Section 6. **"Subsection X410.11/4410Q.11** are hereby amended to read as follows:

"Subsection X410.11/4410Q.11 Unit Investment trust fund administration support.

" a. *Backroom operations.* x x x

b. *Custody of securities.* Investments in securities of a UIT Fund shall be held for safekeeping by BSP accredited third party custodians which shall perform independent marking-to-market of such securities.

INVESTMENTS IN TARGET FUNDS OF A UIT FUND STRUCTURED AS AN INVESTOR FUND SHALL BE HELD FOR SAFEKEEPING BY AN INSTITUTION REGISTERED/AUTHORIZED/APPROVED BY A RELEVANT REGULATORY AUTHORITY IN ITS HOME JURISDICTION TO ACT AS THIRD PARTY CUSTODIAN."

Section 7. "Subsection X410.12/4410Q.12 are hereby amended to read as follows:

"Subsection X410.12/4410Q.12 *Counterparties.*

"a. *Dealings with related interests/bank proper/holding company/subsidiaries/affiliates and related companies.* A trustee of a UIT Fund shall be transparent at all times and maintain an audit trail for all transactions with related parties or entities. The trustee shall observe the principle of best execution and no purchase/sale shall be made with related counterparties without considering at least two (2) competitive quotes from other sources.

CONSISTENT WITH THE PROVISIONS OF SUBSECTION X410.4, A TRUSTEE MAY INVEST THE FUNDS OF A UIT FUND STRUCTURED AS AN INVESTOR FUND IN A TARGET FUND THAT IS ADMINISTERED BY THE TRUSTEE OR ITS RELATED PARTY/COMPANY, *PROVIDED*, THAT:

- (i) THERE SHALL BE NO CROSS-HOLDING BETWEEN THE INVESTOR FUND AND THE TARGET FUND, WHERE CROSS-HOLDING REFERS TO THE HOLDING OF SHARES/UNITS OF PARTICIPATION IN ONE ANOTHER BY TWO (2) OR MORE FUNDS;
- (ii) ALL INITIAL CHARGES ON THE TARGET FUND ARE WAIVED; AND
- (iii) THE TRUST/MANAGEMENT FEE SHALL BE CHARGED ONLY ONCE, EITHER AT THE LEVEL OF THE INVESTOR FUND OR AT LEVEL OF THE TARGET FUND."

b. *Accreditation of counterparties.* x x x"

Section 8. This Circular shall take effect fifteen (15) days following its publication in the Official Gazette or in any newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:



AMANDO M. TETANGCO, JR.
Governor