



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1109

Series of 2021

Subject: Amendments to the Regulations on Investment Management Activities

The Monetary Board, in its Resolution No. 77 dated 21 January 2021, approved the amendments to the regulations under the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) to reduce the minimum size of an account, and expand the securities eligible as investment outlet for commingled funds under investment management.

Section 1. Section 415 of the MORB and Section 415-Q of the MORNBFI are hereby amended to read, as follows:

"415/415-Q INVESTMENT MANAGEMENT ACTIVITIES

The conduct of investment management activities shall be subject to the following regulations.

***Minimum documentary requirements.* xxx**

Minimum size of each investment management account (IMA). BSFIs may determine the minimum amount that should be maintained by a client in an IMA: *Provided*, That the same shall at least be P100,000: *Provided further*, That the initial contribution and the carrying balance shall not fall below the said amount, except in cases where the reduction is due to investment losses and/or fund management fees. BSFIs should consider the adequacy of their risk management processes and operational capabilities in setting the minimum amount for their IMAs.

Commingling of funds. For purposes of this regulation, commingling of funds shall refer to the act of combining funds from multiple IMAs for the sole purpose of investing in qualified asset/s enumerated under item "b" below. Funds from IMAs may be commingled: *Provided*, That all of the following conditions are met:

- a. The investment of each of the IMAs in the commingled fund shall at least be P100,000;
- b. The commingled funds shall only be invested in (i) securities directly issued by the Philippine National Government, (ii) exchange-traded equities and fixed income securities¹ and commercial papers, *Provided*, That these securities/papers are registered with the Securities and Exchange Commission, (iii) securities issued by banks incorporated in the Philippines, except those issued through the trust units,

¹ including those issued offshore

or (iv) securities issued by other sovereigns that are exempt from registration under Section 9(b) of the Securities Regulation Code;

- c. The commingling of funds and the manner of termination of the same shall be specifically agreed in writing by the clients. The investment manager should ensure that the agreement to commingle funds with other IMAs is legally binding and enforceable. Furthermore, the risks associated with commingling of funds, such as market liquidity risk, shall be fully disclosed to the clients;
- d. The investment manager shall determine that it possesses the operational capability to manage the accounts participating in commingled funds. In doing so, the investment manager shall undertake an assessment taking the following into consideration: (i) sufficiency of personnel handling commingled IMAs; (ii) capability of existing systems to accurately and readily identify the allocation of each investor in a commingled fund and generate the following information on a per IMA basis, at a minimum: accruals, coupons received, dividends received, mark-to-market gains or losses and required reports; and (iii) ability to conduct periodic reconciliation of relevant records; and
- e. The maximum number of IMAs that can be commingled into one fund shall be determined by the investment manager based on its own operational capability to commingle IMAs.

An investment manager shall have adequate policies, procedures, and control mechanisms to ensure that the conditions for commingling set forth in this Circular are consistently complied with.

Lending and investment disposition. xxx

xxx

Tax-exempt individual investment management accounts. The following shall be the features/requirements of IMAs of individuals which may be exempted from the twenty percent (20%) final tax under Section 24(B)(1) of R.A. No. 8424 (The Tax Reform Act of 1997):

- a. xxx
- b. The minimum amount of investment for an IMA shall be the amount prescribed by the BSFIs, but not lower than P100,000;

xxx"

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Section 2. Item 7 on "Advice of Counsel" of Appendix Q-18 of the MORNBF I is hereby deleted. Renumbered Item 10 of Appendix Q-18 of the MORNBF I and Item 10 of Appendix 21 of the MORB on "Withdrawal of Income/Principal" are hereby amended to read, as follows:

**"Appendix 21/ Q-18 SAMPLE INVESTMENT MANAGEMENT AGREEMENT
(Appendix to Sec. 415/415-Q on Minimum documentary requirements)**

xxx

WITHDRAWALS FROM THE PORTFOLIO

(10) Withdrawal of Income/Principal – Subject to availability of funds and the non-diminution of the Portfolio below (the amount prescribed by the trust entity, but not lower than P100,000), the **Principal** may withdraw the income/principal of the Portfolio or portion thereof upon written instruction or order given to the **Investment Manager**. xxx

xxx"

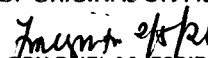
Section 3. This Circular shall take effect fifteen (15) calendar days following its publication in the Official Gazette or in any newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

04 February 2021

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