



Republic of the Philippines
 Department of Finance
INSURANCE COMMISSION
 1071 United Nations Avenue
 Manila



Advisory No.:	RS-2024-007
Classification:	Regulatory and Supervisory Advisory
Date:	16 April 2024

INSURANCE COMMISSION ADVISORY

TO : ALL INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES AND MUTUAL BENEFIT ASSOCIATIONS, AND PRE-NEED COMPANIES AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES

SUBJECT : PROPOSED CIRCULAR LETTER ENTITLED “OMNIBUS GUIDELINES ON INVESTMENTS”

The Commission will be conducting a public consultation relative to the attached draft Circular Letter with the objective of enhancing the investment adaptability of the Insurance Commission regulated entities and to foster a more dynamic and responsive approach to the market environment.

Relative thereto, we would like to solicit your comments, suggestions, and recommendations on the herein attached draft Circular Letter for the Commission to come up with appropriate and applicable regulation. Kindly use the attached template.

Article/Section	Comments and Suggestions	Name of the Entity

Please submit your comments, suggestions, and recommendations on or before 30 April 2024 at ocom@insurance.gov.ph.

Thank you.


REYNALDO A. REGALADO
 Insurance Commissioner





1
2
3
4

Circular Letter (CL) No.:	
Date:	
Supersedes:	CL Nos. 2023-25 ; 2022-25; 2022-23; 2022-08; 2021-53; 2019-41; 2019-29; 2019-27; 2019-19; 2018-74; 2018-43; 2018-73; 2017-43; 2017-42; 2017-28; 2016-16 ; 2015-56; 2014-50; 2014-20; 2014-18; 2013-34; 2013-26; 02-2013 and 01-2012
Supplements:	CL No. 2023-10; 2022-44 and 2016-65
Amends:	Sections 1, 2 and 4 of CL No. 2022-37; Section 2.1.2.6 of CL No. 2019-72; Sections 7 C and E of CL No. 2017-34; Sections 2 and 3 of CL No. 2016-68; Section 5 of CL No. 2016-33 and IMC No. 11-2006.

5
6
7
8

CIRCULAR LETTER

TO : ALL INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES, MUTUAL BENEFIT ASSOCIATIONS, AND PRE-NEED COMPANIES AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES

SUBJECT : OMNIBUS GUIDELINES ON INVESTMENTS

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

WHEREAS, Section 437 of Republic Act (“RA”) No. 10607, otherwise known as the “Amended Insurance Code,” authorizes the Commission to issue rulings and circulars as may be deemed necessary to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public;

WHEREAS, Section 6 of RA No. 9829, otherwise known as the “Pre-Need Code,” authorizes the Commission to prepare, approve, amend or repeal rules, regulations in the performance of its mandate; and

WHEREAS, the International Association of Insurance Supervisors has promulgated the Insurance Core Principle 15 as a foundational framework, emphasizing the need for effective oversight and prudent management of investments

24 by insurance entities, thereby ensuring the financial stability and integrity of the
25 insurance industry on a global scale.

26
27 **NOW, THEREFORE**, pursuant to the powers vested to the Insurance
28 Commissioner under Section 437 of the Amended Insurance Code and Section 6 of
29 the Pre-Need Code, the following rules and guidelines are hereby promulgated:

30
31 **ARTICLE I**
32 **GENERAL PROVISIONS**

33
34 **SECTION 1. OBJECTIVE**

35
36 The objective of this Circular Letter (“CL”) is to enhance the investment adaptability of
37 insurance and professional reinsurance companies, mutual benefit associations
38 (“MBAs”) and pre-need companies (collectively referred to as the “*Insurance*
39 *Commission Regulated Entities*” {“*ICREs*”}), and to foster a more dynamic and
40 responsive approach to ever-changing market environment. This will empower these
41 ICREs to make well-informed investment decisions, ensuring the continued stability
42 and growth of its financial assets while safeguarding the interests of its policyholders.

43
44 **SECTION 2. SCOPE**

45
46 This CL shall apply to all investments denominated in Philippine Peso (Php) and in
47 foreign currencies acceptable to the Bangko Sentral ng Pilipinas (“BSP”) as part of its
48 international reserves.

49
50 **ARTICLE II**
51 **INVESTMENT POLICY FRAMEWORK**

52
53 **SECTION 1. SUBMISSION OF INVESTMENT POLICY FRAMEWORK (“IPF”)**

54
55 ICREs are required to submit to the Commission, **no later than 27 December 2024**,
56 its Investment Policy Framework duly approved by their respective Board of Directors
57 (“BOD”) or Board of Trustees (“BOT”).

58
59 **SECTION 2. CONTENTS OF THE IPF**

60
61 The IPF should contain, at the minimum, the following information:

- 62
63 a. Overall investment objectives and strategies that are consistent with the ICRE’s
64 financial condition and risk tolerance;
65 b. Portfolio objectives that set out the acceptable instruments, diversification
66 parameters and other elements of sound investment management practices;
67 c. Internal process to identify, monitor, and manage risks and BOD/BOT approved
68 limits relating to credit risk, market risk, liquidity risk, settlement risk, counterparty
69 risk, issuer risk, and concentration risk, among others;
70 d. Periodic and timely reviews of the investment strategy and performance to be
71 conducted at the individual and portfolio levels; and
72 e. Appropriate valuation procedures and mark-to-market methodology that enables
73 the ICRE to value its investments on a continuing and consistent basis and to

74 measure their sensitivity to market movements. This should include performing,
75 at regular intervals, stress tests that reflect extreme market conditions.
76

77 For ICREs who will invest in complex instruments such as derivatives, structured
78 products, and other foreign currency denominated investments, the IPF must also
79 include a detailed discussion of the ICRE's risk management system and approved
80 process for new product approvals and risk limit monitoring and renewals. It should
81 also specify the appropriate valuation methodology including the ability to obtain prices
82 from recognized third party data providers or calculation agent on a regular basis.
83

84 **SECTION 3. ROLE OF THE ICRE'S BOD/BOT**

85
86 The BOD/BOT has the responsibility of ensuring that a risk management framework
87 is in place that appropriately captures its risk exposures and affords proper
88 management of inherent risks in their investment activities.
89

90 **SECTION 4. SUBMISSION OF AMENDMENTS TO THE IPF**

91
92 Any amendment to the IPF shall require review and approval by the ICREs' respective
93 BOD/BOT, and shall be submitted to the Insurance Commission within thirty (30)
94 calendar days after obtaining the relevant Board approval. The amended IPF must be
95 accompanied by a comprehensive narrative report outlining the rationale behind the
96 revision, along with an analytical report detailing the financial repercussions and risk-
97 return implications of said revision.
98

99 **SECTION 5. IPF OF PRE-NEED COMPANIES**

100
101 As an additional requirement, the IPF to be submitted by pre-need companies should
102 contain a breakdown of the investment of the assets held in each type of pre-need
103 plan (Education, Pension, and Life/Memorial Plans categorized further into New and
104 Old Baskets, if applicable), and a statement of procedures for changing such
105 investment policy.
106

107 **ARTICLE III**

108 **ADMISSIBLE AND NON-ADMISSIBLE INVESTMENTS**

109 **SECTION 1. ADMISSIBLE INVESTMENTS OF INSURANCE COMPANIES,**

110 **PROFESSIONAL REINSURANCE COMPANIES AND MBAS**

111
112 The following investments are hereby granted prior approval from the Insurance
113 Commission and shall be considered admitted assets unless otherwise disapproved:
114
115

- 116 a. Cash, time deposits, special savings accounts, deposit certificates, money
117 market instruments and fixed income securities with maturity of one (1) year or
118 less, arising from an investment transaction, in currencies acceptable to the BSP
119 as part of its international reserves. If the above-enumerated assets are not
120 pursuant to any investment transaction, Section 202(a) of the Amended
121 Insurance Code will continue to apply.
122
123

124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173

- b. Marketable securities, as enumerated below, provided that the conditions per security are satisfied as of transaction date:
 - 1. Sovereign issuers
 - i. Debt securities of the Government of the Philippines or its political subdivisions, including Government-owned or -controlled corporations; and
 - ii. Debt securities of a foreign government, provided, however, that the foreign government has obtained a minimum credit rating of B as rated by S&P, B2 as rated by Moody's, B as rated by Fitch, or its equivalent rating as rated by other reputable credit rating agencies.
 - 2. Corporate Issuers
 - i. Debt securities listed in the Philippine Dealing Exchange ("PDEX");
 - ii. Equity Securities listed in the Philippine Stock Exchange ("PSE") or any other recognized foreign stock exchanges; and
 - iii. Debt or Equity securities issued by an institution with securities listed in either PDEX or PSE
 - iv. Php-denominated debt or equity securities, provided that the issue, the issuer or its outstanding debt issue has obtained a minimum credit rating of B by CRISP or its equivalent rating by PhilRatings or other SEC-accredited credit rating agency. If the rating is not available, the issuer or the issue must be explicitly guaranteed by an entity with a minimum credit rating of B by CRISP or its equivalent rating by PhilRatings or other reputable credit rating agency;
 - v. Foreign currency-denominated debt or equity securities, provided that the issuer or the issue has obtained a minimum credit rating of B by S&P, B2 by Moody's, B by Fitch, or an equivalent rating from a reputable credit rating agency. If the rating is not available, the issuer or the issue must be explicitly guaranteed by an entity with a minimum credit rating of B by S&P, B2 by Moody's, B by Fitch, or an equivalent rating from a reputable credit rating agency; and
 - vi. Debt securities issued by Supranational organizations and/or Multilateral agencies provided that the issuer or the issue has obtained a minimum credit rating of B by S&P, B2 by Moody's, B by Fitch, or an equivalent rating from a reputable credit rating agency.
 - 3. Structured Products, such as Credit-Linked Notes, Equity-Linked Notes, Funded Fixed Rate Notes, Principal Protected Notes, Structured Deposits, which are issued by a financial institution or a Special Purpose Vehicle/Special Purpose Trust sponsored by a financial institution, provided

174 that the issuer/sponsor and the reference asset/underlying asset issuer
175 obtained a minimum credit rating of B as rated by S&P, B2 as rated by
176 Moody's, B as rated by Fitch, or its equivalent rating as rated by other
177 reputable credit rating agencies.

- 178
- 179 4. Financial Derivatives, such as Forward Contracts, Futures Contracts,
180 Options and Swaps, which shall only be used as a risk management tool
181 for reducing risk and costs. Every derivative transaction should be in
182 accordance with the International Swaps and Derivatives Association
183 ("ISDA") guidelines and shall comply with the required documentations,
184 including the ISDA Master Agreement and Credit Support Annex. ICRE
185 counterparties must possess the requisite registration and authorization
186 from the pertinent regulatory authority governing its operational jurisdiction.
187

188 c. Investment Vehicles

189
190 Investment vehicles designed to enable the aggregation of capital from multiple
191 investors, with the explicit aim of collectively participating in a diversified portfolio
192 of securities and other financial instruments; provided that said vehicles and their
193 fund managers and/or the investment management company are subject to
194 professional and regulatory oversight and possesses the requisite registration
195 and authorization from the pertinent regulatory authority governing its
196 operational jurisdiction:
197

- 198 1. Mutual Funds;
199 2. Exchange-Traded Funds ("ETFs");
200 3. Real Estate Investment Trusts ("REITs");
201 4. Unit Investment Trust ("UITs");
202 5. Fund of Funds;
203 6. Money Market Funds;
204 7. Corporate Debt Vehicle; and
205 8. Other investments with similar nature.
206

207 d. Loans

- 208
- 209 1. Policy loans for life insurance and membership certificate loans for MBAs;
210
- 211 2. **Loans to Partner Microfinance Institutions (MFI's) subject to the ten**
212 **percent (10%) limitation in accordance with IC CL No. 2016-33.**
213
- 214 3. Loans or other instruments of indebtedness, extended to both foreign and
215 domestic entities, upon security of any of the following:
216
- 217 i. First mortgage or deeds of trust of real estate, condominiums and
218 cultivated agricultural land; provided, however, that if the property is
219 located outside the Philippines, the laws of the country where the
220 property is located allow the lender to own real estate property in the
221 event of foreclosure;
222

- 223 ii. Purchase money mortgages, lease purchase agreements or similar
224 securities executed or received by it on account of the sale or
225 exchange of real property acquired;
226
- 227 iii. Debt securities under Article III, Section 1(b)(1) and Article III, Section
228 1(b)(2) of this CL;
229
- 230 iv. Obligations issued or guaranteed by commercial banks, universal
231 banks, offshore banking units, investment houses or other financial
232 intermediaries duly registered with the BSP or other pertinent
233 regulatory authority governing its operational jurisdiction;
234
- 235 v. Assignments of monetary instruments such as cash deposits, deposit
236 certificates or other similar instruments of universal banks,
237 commercial banks, investment houses or other financial
238 intermediaries duly registered with the BSP;
239
- 240 vi. Chattel mortgages over equipment; and
241
- 242 vii. Pledges of shares of stocks specified under Article III, Section
243 1(b)(2)(ii), and bonds or other instruments of indebtedness specified
244 under Article III, Section 1(b)(2)(i).
245
- 246 4. Loans and Financial Assistance Programs extended to the following;
247 provided, however, that the benefits shall be under a written employee or
248 members benefit programs duly approved by the ICREs' respective
249 BOD/BOT:
250
- 251 i. Officers, employees and sales associates under contractual relations
252 of insurance/reinsurance companies and MBAs:
253 a. Car/Motorcycle Loans/lease-purchase plans;
254 b. Calamity and/or emergency loans;
255 c. Information Technology Equipment loan; and
256 d. Salary loans.
257
- 258 ii. Loans to MBA members upon the security of a pledge or chattel
259 mortgage of personal properties of the borrowers, or in the absence
260 thereof, on the security of the membership certificate of the borrowing
261 members, in which event such loan shall become a first lien on the
262 proceeds thereof.
263
- 264 5. Salary loan to Department of Education teachers including purchasing of
265 salary loan portfolios of reputable companies engaged in Teachers' Loans,
266 provided, however, that the Salary Loan Program shall be duly approved
267 by the Board of Directors or Trustees, and shall be covered by a
268 Memorandum of Agreement between the insurance/professional
269 reinsurance companies/MBAs and the Department of Education;
270
- 271 6. Purchase of accounts or loans receivables.

272 e. Real Estate Properties

273

274 1. Real properties used as main place of business and/or branch offices;

275

276 2. **Real properties acquired or constructed for the production of income,**
277 **or properties to be developed for such investment purpose;** ~~Real~~

278 ~~properties acquired or constructed for the production of income, or~~
279 ~~properties to be developed for such investment purpose, provided,~~
280 ~~however that the same shall be covered by a development plan duly~~
281 ~~approved by the Board of Directors or Trustees; provided, further, that the~~
282 ~~timeline for implementation, shall not exceed three (3) years from the~~
283 ~~original approval of the Real Property Development Plan;~~

284

285 3. Real properties acquired by foreclosure or by deed in lieu thereof, provided,
286 however, that in the absence of a recent appraisal **by an accredited SEC**
287 **appraiser**, the same shall not be valued at an amount greater than the
288 unpaid principal of the defaulted loan at the date of such foreclosure or
289 deed, together with any taxes and expenses paid or incurred by such
290 insurer at such time in connection with such acquisition, and the cost of
291 additions or improvements thereafter paid by such insurer and any amount
292 or amounts thereafter paid by such insurer or any assessments levied for
293 improvements in connection with the property. Provided, further, that the
294 same shall be liquidated within twenty (20) years after the title thereto has
295 been vested in it; and

296

297 4. **Housing projects under Section 208 (a) of the Amended Insurance**
298 **Code.** ~~Housing projects which shall be covered by a development plan~~
299 ~~duly approved by the Board of Directors or Trustees. Provided, that the~~
300 ~~timeline for implementation shall not exceed three (3) years from the~~
301 ~~original approval of the Real Property Development Plan.~~

302

303 f. Investments in infrastructure projects under the Philippine Development Plan
304 ("PDP"), through construction, financing, or operation and maintenance subject
305 to capital charges of six percent (6%) and nine percent (9%) for debt instrument
306 and equity instrument, respectively. However, the Co

and further, that no depositor or
ed fifteen percent (15%) of the
finally that the Commission is
ocation per category set forth
(%) points upward or downward
(5) years. The first adjustment

of the Commission is secured and provide
investment in any single entity shall exce
total value of the Trust Fund, provided
authorized to adjust the percentage all
herein not in excess of two percentage (2
and no oftener than once every five (

321 assets of which, are being administered under the direction of any court having
322 jurisdiction: Provided, however, that such certificates, notes or other obligations
323 are adequately secured as to principal and interests;
324

325 k. Electronic Data Processing ("EDP") assets the acquisition cost of which to be
326 amortized in equal annual amounts within a period of five (5) years from the date
327 of acquisition thereof:

- 328 1. Hardware;
- 329 2. Software;
- 330 3. Storage Media; and
- 331 4. Other EDPs with similar nature.

332
333
334 l. Proprietary club shares; and
335

336 m. Investment Management Agreement (IMA) or other forms of contract
337 primarily for financial return whereby an investment/fund manager binds
338 itself to handle or manage investible funds or any investment portfolio in
339 a representative capacity as financial or managing agent, adviser,
340 consultant or administrator of financial or investment management
341 advisory, consultancy or any similar arrangement which does not create
342 or result in a trusteeship. The abovementioned representative must
343 possess the requisite registration and authorization from the BSP or from
344 the pertinent regulatory authority governing its operational jurisdiction.
345 Further the following provisions shall be incorporated in such agreement:
346 Investment Management Agreement ("IMA") with any financial institution or
347 investment management company subject to professional and regulatory
348 oversight and must possess the requisite registration and authorization from the
349 pertinent regulatory authority governing its operational jurisdiction. Further the
350 following provisions shall be incorporated in the IMA:

- 351 1. All investments under the agreement shall be registered in the name of the
352 company;
- 353 2. All investments shall be in accordance with the provisions of this CL and
354 other regulations issued by the Insurance Commission; and
- 355 3. Investment risk exposures should be clearly defined and measured in
356 accordance with the Risk-Based Capital framework.

357 358 359 **SECTION 2. GENERALLY CONSIDERED NON-ADMITTED ASSETS OF** 360 **INSURANCE COMPANIES, PROFESSIONAL REINSURANCE** 361 **COMPANIES AND MBAS** 362

363 The following assets shall in no case be allowed as admitted assets of
364 insurance/professional reinsurance companies and MBAs doing business in the
365 Philippines in the determination of its financial condition:
366

- 367 a. Goodwill, trade names, and other like intangible assets;
- 368 b. Prepaid or deferred charges for expenses and commissions paid by such
369 insurance company;

- 370 c. Advances to officers (other than policy loans), which are not adequately secured
- 371 and which are not previously authorized by the Commissioner, as well as
- 372 advances to employees, agents, and other persons on mere personal security;
- 373 d. Shares of stock of such insurance company, owned by it, or any equity therein
- 374 as well as loans secured thereby, or any proportionate interest in such shares of
- 375 stock through the ownership by such insurance company of an interest in
- 376 another corporation or business unit;
- 377 e. Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature,
- 378 and supplies;
- 379 f. Items of bank credits representing checks, drafts or notes returned unpaid after
- 380 the date of statement; and
- 381 g. All non-admitted assets and all other assets of doubtful value or character
- 382 included as ledger or non-ledger assets in any statement submitted by an
- 383 insurance company to the Commissioner, or in any insurance examiner's report
- 384 to him, shall also be reported, to the extent of the value disallowed as deductions
- 385 from the gross assets of such insurance company, except where the
- 386 Commissioner permits a reserve to be carried among the liabilities of such
- 387 insurance company in lieu of any such deduction.
- 388

389 **SECTION 3. ADMISSIBLE INVESTMENTS OF PRE-NEED COMPANIES**

390
 391 The following investments in the trust fund of pre-need companies are hereby
 392 considered admissible without the need for prior approval from the Insurance
 393 Commission:

- 394
- 395 a. Cash, time deposits, special savings accounts, deposit certificates, money
- 396 market instruments and fixed income securities with maturity of one (1) year or
- 397 less in currencies acceptable to the BSP as part of its international reserves;
- 398 b. Marketable Securities under Article III, Section 1(b) of this CL;
- 399 c. Investment vehicles under Article III, Section 1(c) of this CL;
- 400 d. Loans under Article III, Section 1(d)(2) of this CL;
- 401 e. Direct loans to planholders:
- 402 f. Salary loans to Department of Education Teachers under Article III, Section
- 403 1(d)(4) of this CL; and
- 404 g. Real estate under Article III, Section 1(e)(2) of this CL.
- 405

406 These investments shall be covered by a trust fund agreement (Annex A) executed by
 407 the pre-need company and a trust corporation which possesses the requisite
 408 registration and authorization from the pertinent regulatory authority. Trust fund
 409 agreements, prior to issuance of this CL, will remain effective.

410
 411 **ARTICLE IV**

412
 413 **VALUATION OF REAL ESTATE PROPERTIES**

414
 415 **SECTION 1. PROCEDURE FOR VALUATION OF REAL ESTATE PROPERTIES**

416
 417 **Valuation of real estate properties shall require no prior approval from the**
 418 **Commission and shall be conducted by an Securities and Exchange**
 419 **Commission ("SEC") – accredited appraiser.** ~~Valuation of real estate properties~~

420 shall require no prior approval from the Commission, provided that the conduct of
421 valuation by an accredited appraiser shall be in accordance with the guidelines
422 outlined in Annex B of this CL.

423
424 **ARTICLE V**
425 **SEPARATE VARIABLE ACCOUNTS**
426

427 **SECTION 1.** Investments by Separate Accounts under Section 7(E) and Separate
428 Account(s) Investment Policy under Section 7(E) of CL No. 2017-34 are
429 hereby amended to read as follows:

430
431 *“Section 7(E) – Investments by the Separate Account(s)*

- 432
433 *i. A company which has established one or more separate variable*
434 *accounts may invest and re-invest all or any part of the assets*
435 *allocated to any such account in the securities and investments*
436 *authorized by Article III, Section 1 of this circular letter. In addition*
437 *thereto, such company may also invest in common stocks or other*
438 *equities which are listed on or admitted to trading in a securities*
439 *exchange located in the Philippines, or which are publicly held and*
440 *traded in the over-the-counter market and as to which market*
441 *quotations have been available.*
- 442
443 *ii. No such company shall invest in excess of ten per centum (10%)*
444 *of the assets of any such separate variable account(s) in any one*
445 *corporation issuing such common stock. However, separate*
446 *variable accounts with the objective of tracking an index may invest*
447 *based on actual benchmark weight or asset allocation of the issuer*
448 *in the relevant index.*
- 449
450 *iii. In the purchase of common capital stock or other equities, the*
451 *company shall designate to the broker, or to the seller if the*
452 *purchase is not made through a broker, the specific separate*
453 *variable account(s) for which the investment is made.*
- 454
455 *iv. The separate variable account(s) shall have sufficient net*
456 *investment income and readily marketable assets to meet*
457 *anticipated withdrawals under policies funded by the separate*
458 *variable account(s).*
- 459
460 *v. Except as otherwise specifically provided by the contract, no sale,*
461 *exchange, or other transfer of assets may be made by a company,*
462 *between any of its separate variable accounts or between any*
463 *other investment account and one or more of its separate variable*
464 *accounts, unless:*
- 465
466 *(a) In the case of a transfer into a separate variable account, such*
467 *transfer is made solely to establish the account or to support*
468 *the operation of the contracts with respect to the separate*
469 *variable account to which the transfer is made, or in case of a*

hereunder maybe made no earlier than five (5) years from the effectivity of the Pre-Need Code. The **TRUSTOR** shall not use the Trust Fund to extend any loan or to invest in its directors, stockholders, offices or affiliates.

These rules remain in effect until superseded by subsequent circulars letters issued by the Commission. Upon issuance of said new circular letters, the rules contained therein shall take precedence.

ARTICLE VI
No Guarantee of Income
No PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) Coverage

This account is not a deposit but a trust account. It is understood that a fixed rate of interest or a fixed return on the Trust Fund is neither assured nor guaranteed by the **TRUSTEE**. THIS AGREEMENT IS NOT COVERED BY THE PDIC, and losses, if any, shall be for the account of the Trust Fund.

ARTICLE VII
The Liquidity Reserve Fund

The **TRUSTEE** shall at all times maintain a liquidity reserve which shall be sufficient to cover at least fifteen percent (15%) of the Trust Fund but in no case less than one hundred twenty - five percent (125%) of the amount of the availing plans for the succeeding year. For this purpose, the **TRUSTOR** timely shall submit to the **TRUSTEE** a summary of benefits payable for the succeeding year.

The following shall qualify as investments for the Liquidity Reserve Fund:

1. Loans secured by a hold-out on assignment or pledge deposits maintained either with the **TRUSTEE** or other banks, or of deposit substitute of the **TRUSTEE** itself or mortgage and chattel mortgage bonds issued by the **TRUSTEE**;
2. Treasury notes or bills, other government securities or bonds, and such other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
3. Repurchase agreements with any of those mentioned in item (2) above, as underlying instruments thereof; and
4. Savings or time deposits with government-owned banks or commercial bank.

ARTICLE VIII
Prohibited Investments

Unless otherwise allowed by the Pre-Need Code, the Implementing Rules and Regulations or by the Commission, the **TRUSTEE** shall not use the Trust Fund to invest in or extend any loan or credit accommodation to the **TRUSTOR**, its directors, officers, stockholders, and related interests as well as to persons or enterprises controlling, owned or controlled by, or under common control with said **TRUSTOR**, its directors, officers, stockholders and related interests, and to/from any of the **TRUSTEE's** departments, directors, officers, stockholders and related interests.

ARTICLE IX

Recognition and Measurement of Trust Fund Assets and Liabilities

The Trust Fund assets and liabilities shall be recognized in accordance with the provisions of the effective Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRS) and their interpretations including the PAS 39 for Financial Instruments and PAS 40 for Investment Property.

ARTICLE X

Accounting and Reporting

The **TRUSTEE** shall keep and maintain books of accounts and other accounting records as required by law, the Pre-Need Code, its Implementing Rules and Regulations, present pertinent rules and regulations and such other rules which may in the future be issued by the Commission, the BSP, and other regulatory agencies.

An **Annual Investment Strategy** shall be submitted by the **TRUSTEE** to the Commission and to the **TRUSTOR** on or before the end of February of each year, showing the allocation of the proposed investment for the next three (3) years.

A **monthly report** on the Trust Fund shall be submitted by the **TRUSTEE** to the **TRUSTOR** and the Commission within twenty (20) days after the end of each month for reconciliation purposes of the **TRUSTOR** and the Commission and shall include at least the following:

a) **Balance Sheet**

The equity portion of the Trust Fund Balance Sheet shall state the following:

- i) Contributions and withdrawals for the reporting period shall be segregated from the prior year's accumulated figures.
- ii) Retained earnings for the reporting period shall be segregated from the prior year's accumulated surplus.

- b) An Income Statement, three (3) column report to include:
 - i) Month to Date income with equivalent Return On Investment (ROI)
 - ii) Year to Date income with equivalent ROI
- c) ROI Computation Schedule
 - i) For the Month
 - ii) Year to Date

The total portfolio shall be computed net of taxes and fees and inclusive of mark-to-market gains and losses. The standard formula for computing ROI shall be as provided in the applicable rules and regulations of the Commission.

- d) Schedule of Earning Assets including Mark-to-Market (M-T-M) Gains and Losses as of each ROI reporting date in the preceding paragraph.
- e) Special Transactions Report which lists transactions, outstanding balances, and pertinent investment details on DOSRI Investments
- f) Investment Activity Report/Summary of Transactions Schedule
- g) Portfolio analysis schedule
- h) **TRUSTEE's** Certificate on Trust Fund Balance
- i) Summary of accounting policies on each significant trust fund assets and liabilities. If there would be no change in the policies for the succeeding months, a mere statement of consistent application would suffice.
- j) Explanatory or disclosure notes on significant items as required under PAS 32, 39, 40 and PFRS 7
- k) Such other statements and schedules as may be reasonably requested by the **TRUSTOR**.

An annual statement of the Trust Fund shall be submitted by the TRUSTEE to the Commission and to the TRUSTOR. The annual statement shall be in the form prescribed by the Commission and shall include details such as the income, disbursements, assets and liability items and such other details as may be required by the Pre-Need Code, its Implementing Rules and Regulations and such pertinent rules and regulations as may be promulgated from time to time by the Commission, the BSP and other regulatory agencies. The annual statement shall be certified under oath by at least two (2) of the highest ranking officers of the TRUSTEE. (Section 46 (b)

of the Implementing Rules and Regulations). These rules remain in effect until superseded by subsequent circulars letters issued by the Commission. Upon issuance of said new circular letters, the rules contained therein shall take precedence.

The **TRUSTEE** undertakes to submit other data or information as may be prescribed or required by the Commission and shall submit to the continuing power of the Commission's duly authorized representatives to examine and verify the Trust Fund.

ARTICLE XI Trust Fees

For services rendered under this Agreement, the **TRUSTEE** shall charge a trust fee of _____. (Please provide an itemized breakdown of fees.)

ARTICLE XII Powers of the Commission

Inspection of the Books of the Trust Fund – The books of accounts and all other relevant records including the securities held in custody by the **TRUSTEE** shall be subject to examination by the Commission from time to time to the extent and in the manner prescribed by the Commission. The Commission shall provide the **TRUSTEE** prior written notice containing the proposed date of inspection including the specific purpose and records to be reviewed.

Relevant Information – The Commission may demand any relevant information from the **TRUSTEE**.

Amendments to the Contract – This Agreement shall not be amended or modified without prior approval by Commission. Should there be any side, additional or other material agreements between the **TRUSTOR** and the **TRUSTEE** apart from the provisions of this Agreement, the same shall be submitted for approval to the Commission within forty-eight (48) hours from the date of execution thereof. The provisions of the side agreement shall take effect only after approval of the Commission is secured.

Termination of the Contract - Termination of the Agreement by either the **TRUSTOR** or **TRUSTEE** shall be subject to prior notice and approval by the Commission. In the event that the termination of the Trust Agreement is allowed by the Commission, the **TRUSTEE** shall submit within sixty (60) days from such termination its **final Termination Report** to the **TRUSTOR** and the Commission. The trust agreement with the successor-trustee shall be executed only upon prior approval of the Commission of the terms and conditions stated therein. In the event that there is already an existing trust agreement

with the trustor pre-need corporation and the successor-trustee, there must be a clear acceptance on the part of the trustee of its designation/ appointment as such.

Conversion of Trust Fund Assets - The Commission may, at its discretion, demand for the conversion to cash or other near cash assets of the investments made by the **TRUSTEE** to protect the interest of the Planholders.

Amendment or Revocation of Trust Agreement - The Commission may require amendment of the Trust Agreement or revoke the same to ensure compliance with the **Pre-Need Code and its Implementing Rules and Regulations, other pertinent rules and regulations** to protect the interest of the planholders and the investing public.

Inconsistency with other Rules and Regulations- In the event of inconsistency between the provisions of this Agreement and the **Pre-Need Code and its Implementing Rules and Regulations**, and such other rules, the rules of the Commission shall prevail.

ARTICLE XIII
Compliance with the AMLA, as amended

The **PARTIES** hereby agree to abide by the provisions of the Revised Rules and Regulations Implementing Republic Act No. 9160, otherwise known as The Anti-Money Laundering Act of 2001, as amended by Republic Act No. 9194 and Republic Act 10167 (the AMLA, as amended) particularly with regard to requirements on customer identification, record keeping and reporting of covered and suspicious transactions reports, with the end view of preventing money laundering and terrorism financing.

The **TRUSTOR** hereby declares that it is acting for the account of the beneficial owners of the trust fund who are planholders of the plans.

Any other stipulation that may be agreed upon by the **PARTIES** shall be contained in a supplemental document which shall be submitted to the Commission for review and approval.

IN WITNESS WHEREOF, the parties hereto affix their signatures on the date and place above written.

XXXXXXXXXXXXX
TRUSTOR

By:

XXXXXXXXXXXXX
President

XXXXXXXXXXXXX
TRUSTEE

By:

XXXXXXXXXXXXX
President

XXXXXXXXXXXXXXXXX
Treasurer

XXXXXXXXXXXXXXXXX
Chief Operations Officer

Signed in the presence of:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)

) S. S.

BEFORE ME, a Notary Public, for and in the above jurisdiction, this day of _____, personally appeared the following:

Name	Government Issued ID	Date/Place Issued
XXXXXXXXXXXXXXXXX		
XXXXXXXXXXXXXXXXX		
XXXXXXXXXXXXXXXXX		
XXXXXXXXXXXXXXXXX		

all known to me to be the same persons who executed the foregoing Trust Agreement and they acknowledge to me that the same is their own free and voluntary net and deed of will as that of the Corporation herein requested.

WITNESS MY HAND AND NOTARIAL SEAL on the date and at the place first above written

307
308
309
310
311
312
313
314
315
316
317
318
319
320

- discretion, impose a lower risk charge considering a high credit rating on the instrument given by an external credit rating agency;
- g. Investment in equities of other financial institutions;
- h. Debt Securities exempted from registration under RA No. 8799, otherwise known as "Securities Regulation Code", for those ICREs which are considered as Qualified Buyers;
- i. Securities issued by registered enterprise as defined in Executive Order No. 226 (s. 1987), entitled the "Omnibus Investment Code";
- j. Certificates, notes and other obligations issued by the trustees or receivers of any institution created or existing under the laws of the Philippines which, or the

ANNEX B

QUARTERLY INVESTMENT PORTFOLIO REPORT

(Name of MBA)

As of _____

Asset Class	Asset Code	Description	Date Acquired	CCY	Location	Counterparty	Quantity	Purchase Price in Php	Market Value in Php	Unrealized Gains/Losses	Maturity Date	Interest Rate	Credit Rating	Credit Rating Agency	Coupon Rate
Cash and cash equivalents															
Sovereign issues															
Corporate issues															
Structured products															
Financial derivatives															
Investment vehicles															

Legends:

For Asset Code, please refer to Asset Code tab

For Description:

- If cash and cash equivalent, indicate type (cash, time deposits, special savings account, deposit certificates, money market instruments, and fixed income securities)
- If debt securities, indicate ISIN or CUSIP
- If listed equity, indicate equity ticker (i.e. Jollibee - JFC PM)
- If not listed, indicate full corporate name of issuer
- If structured products, indicate type (i.e. Credit-Linked Notes, Equity-Linked Notes, Funded Fixed Rate Notes, Principal Protected Notes, and Structured Deposits)
- If derivatives, indicate type (forward, future, options, and swaps)

For Location, please indicate country to where investments is situated

For Counterparty:

- Except for cash and cash equivalents, indicate full name of issuer
- If cash and cash equivalents, indicate name of bank

Maturity Date, Interest Rate, and Coupon Rate - for debt securities only

For Asset Class and Asset Code, please select using the drop-down list

ANNEX B

QUARTERLY INVESTMENT PORTFOLIO REPORT
 (Name of MBA)

As of _____

Asset Class	Asset Code	Description	Date Acquired	CCY	Location	Quantity	Purchase Price in Php	Market Value in Php
Policy Loans								
Loans								
Loans and Financial Assistance Programs								
Salary Loan to DepEd Teachers								
Real Estate								
Investment in Infrastructure Projects								
EDP								
Debt Securities exempted from registration under Securities Regulation Code								
Investments under the Omnibus Investment Code								
Other Investments (Section 1.g, 1.j, 1.l)								

Legends:

For Asset Code, please refer to Asset Code tab

For Description, indicate nature of investment

For Location:

Except for real estate and proprietary clubshares, please indicate country to where investments is situated

For real estate and proprietary clubshares, please indicate complete address

For Real Estate, and Investments in Infrastructure Projects, Debt Securities exempted from registration under Securities Regulation Code, and Investments under the Omnibus Investment Code, please itemize all investments

For others, please report the aggregate amount only

For Asset Class and Asset Code, please select using the drop-down list

QUARTERLY INVESTMENT PORTFOLIO REPORT
 (Name of Pre-Need Company)
 As of _____

Asset Class	Asset Code	Pre-Need Plan Type	Description	Date Acquired	CCY	Location	Counterparty	Quantity	Purchase Price in Php	Market Value in Php	Unrealized Gains/Losses	Maturity Date	Interest Rate	Credit Rating	Credit Rating Agency	Coupon Rate	
Cash and cash equivalents																	
Sovereign issues																	
Corporate issues																	
Structured products																	
Financial derivatives																	
Investment vehicles																	

Legends:

For Asset Code, please refer to Asset Code tab

For Description:

- If cash and cash equivalent, indicate type (cash, time deposits, special savings account, deposit certificates, money market instruments, and fixed income securities)
- If debt securities, indicate ISIN or CUSIP
- If listed equity, indicate equity ticker (i.e. Jollibee - JFC PM)
- If not listed, indicate full corporate name of issuer
- If structured products, indicate type (i.e. Credit-Linked Notes, Equity-Linked Notes, Funded Fixed Rate Notes, Principal Protected Notes, and Structured Deposits)
- If derivatives, indicate type (forward, future, options, and swaps)

For Location, please indicate country to where investments is situated

For Counterparty:

- Except for cash and cash equivalents, indicate full name of issuer
- If cash and cash equivalents, indicate name of bank

Maturity Date, Interest Rate, and Coupon Rate - for debt securities only

For Asset Class and Asset Code, please select using the drop-down list

ANNEX C

QUARTERLY INVESTMENT PORTFOLIO REPORT
 (Name of Pre-Need Company)
 As of _____

Asset Class	Asset Code	Pre-Need Plan Type	Description	Date Acquired	CCY	Location	Quantity	Purchase Price in Php	Market Value in Php
Loans									
Direct loans to planholders									
Salary Loan to DepEd Teachers									
Income Producing Real Estate									

Legends:

For Asset Code, please refer to Asset Code tab

For Description, indicate nature of investment

For Location:

Except for real estate, please indicate country to where investments is situated

For real estate, please indicate complete address

For Real Estate, please itemize all investments

For others, please report the aggregate amount only

For Asset Class and Asset Code, please select using the drop-down list

ANNEX D

QUARTERLY INVESTMENT PORTFOLIO REPORT
 (Name of Separate Variable Account)
 As of _____

Asset Class	Asset Code	Description	Date Acquired	CCY	Location	Counterparty	Quantity	Purchase Price in Php	Market Value in Php	Unrealized Gains/Losses	Maturity Date	Interest Rate	Credit Rating	Credit Rating Agency	Coupon Rate
Cash and cash equivalents															
Sovereign issues															
Corporate issues															
Structured products															
Financial derivatives															
Investment vehicles															

Legends:

For Asset Code, please refer to Asset Code tab

For Description:

- If cash and cash equivalent, indicate type (cash, time deposits, special savings account, deposit certificates, money market instruments, and fixed income securities)
- If debt securities, indicate ISIN or CUSIP
- If listed equity, indicate equity ticker (i.e. Jollibee - JFC PM)
- If not listed, indicate full corporate name of issuer
- If structured products, indicate type (i.e. Credit-Linked Notes, Equity-Linked Notes, Funded Fixed Rate Notes, Principal Protected Notes, and Structured Deposits)
- If derivatives, indicate type (forward, future, options, and swaps)

For Location, please indicate country to where investments is situated

For Counterparty:

- Except for cash and cash equivalents, indicate full name of issuer
- If cash and cash equivalents, indicate name of bank

Maturity Date, Interest Rate, and Coupon Rate - for debt securities only

For Asset Class and Asset Code, please select using the drop-down list

ANNEX D

QUARTERLY INVESTMENT PORTFOLIO REPORT
 (Name of Separate Variable Account)
 As of _____

Asset Class	Asset Code	Description	Date Acquired	CCY	Location	Quantity	Purchase Price in Php	Market Value in Php
Policy Loans								
Loans								
Loans and Financial Assistance Programs								
Salary Loan to DepEd Teachers								
Real Estate								
Investment in Infrastructure Projects								
EDP								
Debt Securities exempted from registration under Securities Regulation Code								
Investments under the Omnibus Investment Code								
Other Investments (Section 1.g, 1.j, 1.l)								

Legends:

For Asset Code, please refer to Asset Code tab

For Description, indicate nature of investment

For Location:

Except for real estate and proprietary clubshares, please indicate country to where investments is situated

For real estate and proprietary clubshares, please indicate complete address

For Real Estate, and Investments in Infrastructure Projects, Debt Securities exempted from registration under Securities Regulation Code, and Investments under the Omnibus Investment Code, please itemize all investments

For others, please report the aggregate amount only

For Asset Class and Asset Code, please select using the drop-down list