Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 8
Series of 2016

TO	:	**MUTUAL FUND COMPANIES**
SUBJECT	:	**EXEMPTION FROM THE 5% LIQUIDITY REQUIREMENT OF MUTUAL FUND INDEX TRACKERS**
DATE	:	28 June 2016

The Commission *en banc*, in its meeting on 23 June 2016, approved the amendments of ICA Rule 35-1(d)(4), as amended by SEC Memorandum Circular No. 12, Series of 2013, as follows:

"**2.) ICA Rule 35-1(d)(4)**

For liquidity purposes, unless otherwise prescribed by the Commission, at least five percent (5%) of an open-end company fund shall be invested in liquid/semi-liquid assets such as: (A) Treasury notes or bills, Certificates of Indebtedness issued by the Bangko Sentral ng Pilipinas which are short term, and other government securities or bonds and such other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines; (B) Savings or time deposits with government owned banks or commercial banks, provided that in no case shall any such savings or time deposit accounts be accepted or allowed under a "bearer", "numbered" account or other similar arrangement. Provided that, the open-end company fund shall submit a liquidity contingency plan to the Commission before it implements a decreased investment of less than ten percent (10%) in liquid/semi-liquid assets.

A Mutual Fund Index Tracker may be exempted from complying with the 5% liquidity requirement provided that it submits a notarized contingency plan signed by the President of the Fund and its Fund Manager. The plan must include a statement that:

"In making any redemption to meet a client obligation, the fund manager will exercise the requisite prudence and diligence necessary under the circumstances and taking into account all relevant factors that will ensure market stability."

Said amendment shall take effect fifteen (15) days after publication in two (2) national newspapers of general circulation in the Philippines.

Signed this 30th day of June 2016, Mandaluyong City, Philippines.

For the Commission:

TERESITA J. HERBOSA
Chairperson

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Philippine Star, July 9, 2016
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