SEC MEMORANDUM CIRCULAR NO. 7
Series of 2022

SUBJECT : **RULES ON QUALIFIED AND/OR ELIGIBLE PERSONAL EQUITY AND RETIREMENT ACCOUNT (PERA) INVESTMENT PRODUCTS**

DATE : 11 August 2022

Pursuant to Republic Act (R.A.) No. 9505 also known as the PERA Act of 2008 and its Implementing Rules and Regulations, the Securities and Exchange Commission (SEC) prescribes these Rules for the qualification and/or eligibility of PERA investment products falling under the purview of the SEC.

Section 1. Applicability

These Rules are being issued in accordance with Section 15 of R.A No. 9505 and its Rules and Regulations, and shall cover the list of securities that the SEC considered as qualified and/or eligible as PERA Investment Products (SEC–eligible PERA Investment Products).

Section 2. List of PERA Qualified and/or Eligible Investment Products

i. The following securities that are registered pursuant to the requirements of the Securities Regulation Code and Investment Company Act are deemed to be eligible PERA investment products.

a. A newly formed mutual fund including any sub-fund of an umbrella fund and Exchange Traded Funds subject to the following requirements:

i. The Fund Manager should have a track record that for the past 5 years prior to its application it has been responsible for the operation and management of a registered mutual fund which has been offered to the general public; and

ii. The name shall contain the words “Personal Equity and Retirement Account” or “PERA”

In the case of a newly formed mutual fund including any sub-fund of an umbrella fund and Exchange Traded Funds, the existing approval process for investment companies shall be observed in the qualification or accreditation as PERA Investment Product subject to the requirements mentioned above.

b. REIT shares

c. Corporate Bonds with an investible rating issued by an accredited Credit Rating Agency

d. Equity Securities which form part of the PSE Dividend Yield Index;

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ii. The following exempt securities are also considered as eligible PERA Investment Products:

a. Government Securities
b. Securities issued by Bangko Sentral ng Pilipinas
c. Corporate Bonds issued by Banks in compliance with the requirements of the Bangko Sentral ng Pilipinas

Section 3. Equity Securities which form part of the PSE Index

Equity Securities which form part of the PSE Index may be qualified as eligible PERA Investment Products provided the PSE submits to the Commission a certification that the said equity securities meet the PERA requisites of being non-speculative, readily marketable, and with a track record of regular income payment to investors, as defined under these rules.

The PSE shall submit the necessary certification to the Commission including any amendment/s thereto. The Commission shall disseminate the PSE-certified list of PERA eligible securities comprising the PSE Index by posting it in the SEC website. The Commission may also cause the posting of this list in the PSE and other websites.

Section 4. Other Securities that may be qualified as eligible PERA Investment Products

The SEC may qualify other securities to be eligible as PERA Investment products provided that, the product is demonstrated to be non-speculative, readily marketable, and with a track record of regular income payment to investors.

For purposes of Sections 2 and 3, the abovementioned criteria shall be defined as follows:

1. Non-speculative
    a. An investment in shares of stock is considered to be non-speculative if the issuer of said shares has shown a history of positive income for at least three (3) of its last five (5) fiscal years and currently, the issuer is not in a deficit.
    b. An investment in debt securities is considered to be non-speculative if the issuer or the issue has been given an investment grade of at least a Bb rating by a Credit Rating Agency accredited by the SEC or allowed by another acceptable regulatory authority under applicable rules.

2. Readily Marketable
    a. A security shall be considered as readily marketable if said security is traded in a registered security exchange.
    b. A security shall be considered as readily marketable if said security is traded in an organized market authorized or recognized by the SEC.
    c. A security shall be considered as readily marketable if said security can be redeemed anytime at the option of the investors.

3. Track record of regular income payment
    a. A company is considered to have a track record of regular income payment if the security issued is an interest-bearing debt security.
    b. A company is considered to have a track record of regular income payment if the said company has adopted a specific dividend policy.
    c. A company is considered to have a track record of regular income payment if the said company, even in the absence of a specific dividend policy, is able to show a history of dividend payment for at least three (3) of the last five (5) fiscal years.

Section 5. Losing Eligibility as a PERA Investment Product

1. A security loses its eligibility as a PERA investment product when it is declared as ineligible by the SEC.

2. A registered equity security may lose its eligibility under the following circumstances:
   a. The Registration Statement pertinent to the security is suspended or revoked.
   b. In the case of corporate bond, it is declared to be in default by a competent authority or person in accordance with the applicable laws, rules and contracts.
   c. In the case of corporate bond, its credit rating is downgraded to a non-investible grade.
   d. In the case of PSEi member security, it is removed from the PSEi.

3. A corporate bond issued by banks shall lose its eligibility in case:
   a. It is declared to be in default by a competent authority or person in accordance with the applicable laws, rules or contracts.
   b. Its credit rating is downgraded to a non-investible grade.

4. A security identified under Section 3 of these rules shall lose its eligibility after it has been found to have lost one or all of the required characteristics to be eligible as PERA investment Products such as being non-speculative, readily marketable and provider of regular income payment.

5. An investment in a security that is later declared to be ineligible as such PERA investment Product shall continue to be authorized to be part of the PERA portfolio, provided that, any subsequent investments by a contributor in said security after being declared as ineligible, shall not qualify to be made part of the PERA portfolio.

Section 6. Reportorial Requirements

The issuers of securities that have been qualified by the SEC to be eligible as PERA Investment Products shall comply with any reports and other information that the SEC may prescribe and/or require.

Section 7. Applicability of the Provisions of PERA and Other Laws Implemented by the SEC

1. All the pertinent and applicable provisions of R.A. 9505, also known as the Personal Equity Retirement Account (PERA) Act of 2008 and its implementing Rules and Regulations and other issuances shall apply to an eligible PERA Investment Product qualified under these Rules.

2. All the pertinent and applicable provisions of R.A. 8799, also known as the Securities Regulation Code and its implementing Rules and Regulations and other issuances shall apply to an eligible PERA Investment Product qualified under these Rules.

3. All the pertinent and applicable provisions of R.A. 2629, also known as the Investment Company Act and its implementing Rules and Regulations and other issuances shall apply to an eligible PERA Investment Product qualified under these Rules.

Section 8. Penalty

If, after due notice and hearing, the SEC finds that there is a violation of these Rules and the laws, rules, regulations and other issuances identified in Section 6, it shall, in its discretion, impose any of the sanctions available and applicable under these Rules and the other applicable laws, rules, regulations and other issuances without prejudice to applying *PERA Rule 18—Penalty* and other civil and criminal liability provided for under the applicable laws for the same act or omission.

Section 9. Effectivity

The Circular shall take effect fifteen (15) calendar days following its publication in the Official Gazette or in two (2) newspapers of general circulation in the Philippines and filing with the University of the Philippines (UP) Law Center.

For the Commission:

EMILIO B. AQUINO
Chairperson