



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 876
Series of 2015

Subject: Amendments to Unit Investment Trust Fund (UITF) Regulations Allowing for a Unit-Paying Feature

The Monetary Board in its Resolution No. 579 dated 8 April 2015 approved the amendments to Subsections X410.2/4410Q.2, X410.5/4410Q.5, X410.6/4410Q.6, X410.7/4410Q.7 and X410.9/4410Q.9, and Appendix 62/Q-34 of the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFII), respectively, relative to allowing the offering of UITF with unit-paying feature.

Section 1. Subsection X410.2/4410Q.2 is 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 1) feeder fund, 2) fund-of-funds and/or 3) multi-class fund: *Provided*, That the plan rules and related documents shall state that the UIT Fund is a feeder fund, fund-of-funds, and/or multi-class fund, and provide an explanation or illustration of such structures. A UIT Fund may also be allowed to have a unit-paying feature where the income of the fund is distributed in the form of units called unit income.

Section 2. Item e is added in Subsection X410.5/4410Q.5 to read as follows:

"Subsection X410.5/4410Q.5 Operating and accounting methodology.

x x x

- e. For a UIT Fund with unit-paying feature, the trustee may distribute the income of the Fund subject to the minimum conditions enumerated hereunder.
- (1) Distribution of income shall be made only from cash received from interest income earned and cash dividends;
 - (2) Distribution of income shall be made after the trust entity has taken into consideration the following:
 - (a) income for the period; and
 - (b) the investment objective and distribution policy of the fund;
 - (3) Distribution of income to participants shall be after deduction of taxes and expenses (net distribution);
 - (4) Distribution of income shall be effected through conversion of the income for distribution into its equivalent units based on the NAVPu as at the first business

day when units in the fund are quoted ex-distribution.¹ Participants shall be entitled to his/her pro-rata share of said units which, on distribution date, shall be automatically considered redeemed;

- (5) The Plan rules shall state the distribution policy, including the sources of income to be distributed and the intended frequency of distribution;
- (6) For monitoring purposes, the trustee shall separately account for the fund's income due for distribution;
- (7) Where a distribution is made, a notice to each participant on his/her unit income shall be made available containing information on the total amount of income for distribution by the trustee, NAVPu ex-distribution and its basis, total number of units for distribution, and unit income. Unit income refers to the number of units for every unit held by the participant entitled for distribution.

Section 3. Subsection X410.6/4410Q.6 is hereby amended to read as follows:

"Subsection X410.6/4410Q.6 Plan Rules. x x x

- a. *Title of the Plan. x x x*
- b. *Manner by which the fund is to be operated.* A statement of the fund's investment objectives, policies and limitations, and if applicable, income distribution policies, ~~the~~ distinctive features of the different classes of units such as the level of trustee fees and expenses for each class and other peculiarities which the BSP may allow.

x x x

Section 4. Subsection X410.7/4410Q.7 is hereby amended to read as follows:

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

- a. *Key Information and Investment Disclosure Statement (KIIDS). x x x*

x x x

For a UIT Fund with unit-paying feature, the KIIDS shall include the intended frequency of income distribution and the last five distribution dates, with information on the unit income and the distribution yield: *Provided, further,* That the KIIDS shall disclose that distributions are not guaranteed and are determined by the trustee in accordance with the plan rules; and that income distribution may result in an immediate decrease in NAVPu by the amount of the distribution.

- b. *Distribution of investment units.* The trustee may issue such conditions or rules, as may affect the distribution of investment units subject to the minimum conditions enumerated hereunder.

¹ Cum-distribution and ex-distribution refer to the date before and after distribution, respectively.

(1) *Marketing materials.* All marketing materials related to the sale of a UIT Fund shall clearly state:

(a) x x x

(b) Minimum information regarding:

(i) x x x

(ii) Particulars including administrative and marketing details, such as but not limited to, pricing, cut-off time for participation and redemption, early redemption penalty/ies, and any special features of the UIT Fund, as applicable. For a UIT Fund with unit-paying feature, the marketing materials shall provide relevant information on this feature including, but not limited to, disclosures that distributions are not guaranteed and shall be determined by the trustee in accordance with the plan rules; and that income distribution may result in an immediate decrease in NAVPu by the amount of the distribution.

x x x

x x x

c. *Regular computation and availability of NAVPU and other information.* The trustee managing a UIT fund shall:

x x x

(3) Make available the historical net asset value per unit, declaration of trust or its equivalent document, disclosure documents and other pertinent information about a UIT fund via its website or the Trust Officers Association of the Philippines (TOAP)-administered website. For a UIT Fund with unit-paying feature, it shall also disclose when there is an income declaration, the total amount of income for distribution, NAVPu ex-distribution and its basis, total number of units for distribution, unit income and historical distributions, if any.

x x x

Section 5. Item h is added in Subsection X410.9/4410Q.9 to read as follows:

"Subsection X410.9/4410Q.9 Allowable investments and valuation. x x x

x x x

(h) Such other tradable investments outlets/categories as the Bangko Sentral 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. X409.6/4409Q.6.

Provided further, That a financial instrument is regarded as tradable if quoted two-way prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis: *Provided, finally*, That the financial instrument is easy to realize upon sale at any time.

The UIT Fund may avail itself of financial derivatives instruments solely for the purpose of hedging risk exposures of the existing investments of the Fund, provided these are accounted for in accordance with existing Bangko Sentral hedging guidelines as well as the trust entity's risk management and hedging policies duly approved by the Trust Committee and disclosed to participants.

The use of hedging instruments shall also be disclosed in the "Plan" as provided in Item "c" of Subsec. X410.6/4410Q.6 and specified in the key information and investment disclosure statement as provided in Item "a" of Subsec. X410.7/4410Q.7.

Section 6. Appendix 62/Q-34 is hereby amended to read as follows:

Guide in Preparing the Key Information and Investment Disclosure Statement
for Unit Investment Trust Funds
(Appendix to Subsec. X410.7/4410Q.7)

1. x x x
 2. The KIIDS is, preferably, a one-sheet document with back-to-back information. x x x
- x x x

Section 7. The portion on Fees in the KIIDS template under Appendix 62/Q-34 is hereby amended to include information on "Other Fees" as follows:

FEES* [Indicate trustee fees and special reimbursable expenses, as necessary]

Trustee Fees: _____% [Name of Trustee]	Custodianship Fees: _____% [Name of Custodian]	External Auditor Fees: _____% [Name of External Auditor]	Other Fees: ____% [Please specify.]
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*As a percentage of average daily NAV for the quarter valued at _____.

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:


VICENTE S. AQUINO
Officer-In-Charge

20 April 2015