



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 852
Series of 2014

Subject: Amendments to Unit Investment Trust Fund (UITF) Regulations

The Monetary Board in its Resolution No. 1525 dated 25 September 2014 approved the following amendments to Sections X410 and 4410Q of the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFII), respectively, to enhance the disclosure requirements of UITFs and clarify certain features of the target fund of a fund-of-funds/feeder fund UITF.

Section 1. Subsection X410.7/4410Q.7 are hereby amended to read as follows:

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

- a. ***KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT.*** THIS DOCUMENT SHALL CONTAIN THE KEY FEATURES AND THE prospective and outstanding investments OF A UIT FUND. IT SHALL USE PLAIN LANGUAGE PRESENTED IN A CONCISE MANNER, AND SHALL COMPLY SUBSTANTIALLY WITH THE FORMAT PRESCRIBED IN APPENDIX 62/Q-34. THIS DOCUMENT SHALL BE UPDATED AND MADE AVAILABLE TO PARTICIPANTS AT LEAST EVERY CALENDAR QUARTER THEREOF.

For investments of feeder funds/fund-of-funds, the trustee shall likewise make available to all UIT Fund clients all relevant information on the target fund/s.

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

(a) The designated name and classification of the fund, the fund's trustee, AND THE CLASSES OF A UIT FUND, IF ANY.

(b) Minimum information regarding:

- (i) The general investment policy and applicable risk profile. There shall be a clear description / explanation of the general risks attendant with investing in a UIT Fund, including risk specific to a type of fund. Technical terms should likewise be defined in laymen's terms.
- (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.

- (iii) All charges made/to be made against the fund OR CLASS OF A UIT FUND, including trust fees AND other related charges.
- (iv) The availability of the Plan Rules governing the Fund, upon the client's request AND THE CONTACT DETAILS OF THE TRUSTEE.
- (v) Client and Product Suitability Standards. x x x

xxx

(2) *Evidence of participation.* Every UIT Fund participant shall be given -

- (a) A participating trust agreement xxx

In addition to the agreement, every UIT Fund participant shall be provided with-

- (1) xxx
- (2) Risk disclosure statement, which in reference to Subsec. X410.6c, shall describe the attendant general and specific risks that may arise from investing in the UIT Fund. THIS STATEMENT SHALL BE ACCOMPLISHED BY THE CLIENT EVERY TIME HE PARTICIPATES IN A DIFFERENT FUND and shall be substantially IN the form AS SHOWN in Annex A of Appendix 62a/Q-34a.

Both documents shall be signed by the client/participant and the UIT marketing personnel who assessed and explained to the concerned client his/her ability to bear the risks and potential losses.

xxx

c. *Regular computation and AVAILABILITY OF NAVPU AND OTHER INFORMATION.* THE TRUSTEE managing a UIT fund shall:

- (1) COMPUTE THE NAVPU DAILY;
- (2) PUBLISH AT LEAST WEEKLY the NAVPu in one (1) or more newspapers of national circulation: Provided, That a pooled weekly publication of such NAVPu shall be considered as substantial compliance with this requirement. The said publication, at the minimum, shall clearly state the name of fund, its general classification, the fund's NAVPu and the moving return on investment (ROI) of the fund on a year-to-date (YTD) and year-on-year (YOY) basis; AND
- (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.

d. *Marketing personnel.* THE TRUSTEE SHALL ENSURE THAT THERE ARE BOARD-APPROVED POLICIES AND PROCEDURES COVERING THE FOLLOWING:

- (1) DUTIES AND RESPONSIBILITIES OF ALL UIT MARKETING PERSONNEL;
- (2) CONDUCT OF DUE DILIGENCE CHECK ON THE FITNESS AND PROPRIETY OF ALL UIT MARKETING PERSONNEL WHICH INCLUDES MONITORING AND REVIEWING ON AN ONGOING BASIS THEIR PERFORMANCE; AND
- (3) CONDUCT OF CONTINUING TRAINING AND EDUCATION ESPECIALLY ON UPDATES

RELATIVE TO THE FUND PRODUCTS.

FOR PURPOSES OF THIS SUBSECTION, A UIT FUND MAY BE SOLD BY A BANK EMPLOYEE BELONGING TO THE SAME FINANCIAL CONGLOMERATE AS THE TRUSTEE, SUBJECT TO THE PROVISIONS OF THE CROSS-SELLING FRAMEWORK.

To ensure the competence and integrity of all duly designated UIT marketing personnel, all personnel involved in the sales of these funds shall be required to undergo standardized training program in accordance with the guidelines of this Subsection. This training program may be conducted by their respective trust entities in accordance with the minimum training program guidelines provided by the TOAP. Such training program shall however be regularly validated by TOAP.

Section 2. Subsection X410.9/4410Q.9 are hereby amended to read as follows:

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

"(a) Securities issued by or guaranteed by the Philippine government, or the Bangko Sentral;

x x x

(g) Units/shares in collective investment schemes (CIS), i.e. target fund, SHALL INCLUDE EXCHANGE TRADED FUND (ETF) AND OTHER CIS subject to the following:

x x x

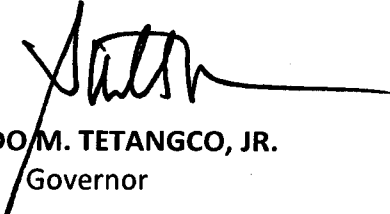
4. The target fund is supervised by a regulatory authority, as follows:

x x x

- b. A target fund constituted in another jurisdiction shall be registered / authorized / approved, as the case may be, AND IS RECOGNIZED AS A COLLECTIVE INVESTMENT SCHEME in its home jurisdiction by a regulatory authority that is a member of the International Organization of Securities Commissions (IOSCO); OR ANY REGULATORY AUTHORITY ACCEPTABLE TO THE BSP TO SUPERVISE THE CIS.

Section 3. **Effectivity.** 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 except for the amendments in Appendix 62/Q-34 of the MORB/MORNBFI which shall take effect starting the reporting period ending 31 December 2014.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

21 October 2014

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

1. The Key Information and Investment Disclosure Statement (KIIDS) is a document intended to provide unit investment trust fund (UITF) participants with key information and disclosures to facilitate better understanding and comparison of UITFs offered by trust entities (TEs).
2. The KIIDS is a one-sheet document with back-to-back information. The text shall be written in Arial style with font size 10 or its equivalent while, the disclosure enumerated below shall be in capital letter and in bold font:
 - THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).
 - RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY.
 - WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.
 - THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.
3. The attached format serves as a standard template in preparing the KIIDS. The headings, lay-outs and disclosures inside the boxes shall be strictly followed; nonetheless, the trustee may opt to add sub-headings provided that these additions will result to clearer disclosure of key information.
4. The trustee shall use clear and plain language to ensure that the participants can easily understand the disclosures contained therein.
5. The use of diagrams such as graphs, charts, flowcharts, tables or numerical explanations is highly encouraged.
6. The trustee is advised to be judicious in deciding the information to be disclosed. The KIIDS shall give a fair and balanced view of the investments and shall ensure that no material information is omitted if such omission would make the KIIDS to be misleading. Examples are presented for illustration purposes only and are not meant to be prescriptive or exhaustive.
7. The trustee shall include a web address for online access of other disclosure documents, educational resources or explanatory materials. However, key information should be clearly disclosed in the KIIDS and not merely referred to other sources.

[Name of Bank]

[Name of UIT Fund]

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

[Reporting Period]

FUND FACTS

Classification:	Net Asset Value per Unit (NAVPU):
Launch Date:	Total Fund NAV:
Minimum Investment:	Dealing Day:
Additional Investment:	Redemption Settlement:
Minimum Holding Period:	Early Redemption Charge:

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]
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*As a percentage of average daily NAV for the quarter valued at _____.

INVESTMENT OBJECTIVE AND STRATEGY [Indicate the investment objective of the fund and the strategies on how to attain the said objective]

Example:

The Fund intends to achieve for its participants long-term capital growth by investing into the extent possible, equity securities issued by Philippine domiciled companies which have a value style bias. The Fund aims to provide returns in excess of the return of the Philippine Stock Exchange index (PSEi).

CLIENT SUITABILITY

A client profiling process should be performed prior to participating in the Fund to guide the prospective investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Declaration of Trust/Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.

- The [Name of the Fund] is suitable only for investors who:
 - [Indicate the risk profile of the target investors/participants]
 - [Indicate if the principal will be at risk]
 - [Indicate the recommended investment horizon of a participant]
 - [Indicate other key characteristics of the fund which can help investors determine if it is suitable for them]

Example:

- The Equity Fund is suitable only for investors who:
 - Have aggressive risk appetite
 - Are comfortable with the greater volatility and risks of an equity fund
- Participants are recommended to stay invested in an equity fund for three (3) years

KEY RISKS AND RISK MANAGEMENT [Disclose the key risks of the Fund and provide short illustrations/explanations which are stated in plain and simple language, and the risk management process employed in managing the Fund, as necessary]

You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.

Example:

- Market risks: You have greater exposure to market risks as this is an equity fund since equities usually have greater volatility than bonds and other fixed income securities.
- The Fund employs a risk management policy based on duration. Duration measures the sensitivity of NAVPU to interest rate movements. As interest rates rise, bond prices fall. The higher the duration, the more NAVPU will fluctuate in relation to changes in interest rates.

THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)

RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY

WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT

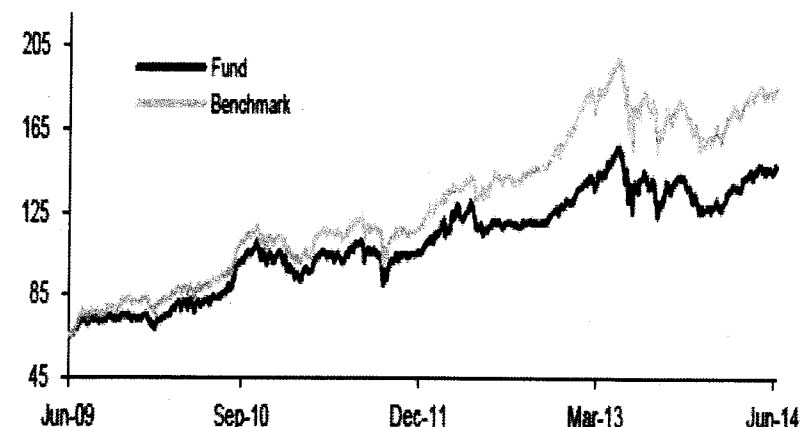
THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE

[Indicate contact details of the trustee which investors can use if they have queries. Include a website address, email address and telephone number]

FUND PERFORMANCE AND STATISTICS AS OF JUNE 30, 2014
(Purely for reference purposes and is not a guarantee of future results)

NAVPu Graph [Include graph showing the NAVPu trend vis-à-vis the benchmark]

Example:

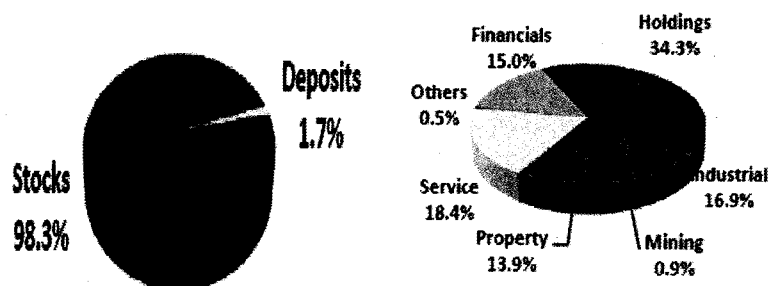


Cumulative Performance (%)

Period	1 mo	3 mos	6 mos	1 yr	3 yrs
Fund	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx
Benchmark	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx

Portfolio Composition [Illustrate/describe the composition of the Fund as a percentage of the NAV as of the reference quarter in terms of asset class, maturity profile, and credit rating of trustees, as applicable; use of graphs/charts/tables are highly recommended]

Example:



NAVPu over the past 12 months

Highest	xx
Lowest	xx

Statistics [Fill in the information, as necessary]

Weighted Ave. Duration	xx
Volatility, Past 1 Year *	xx%
Sharpe Ratio **	xx
Information Ratio ***	xx

*Volatility measures the degree to which the Fund fluctuates vis-à-vis its average return over a period of time.

**Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better.

*** Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

Top Ten Holdings (%)

ABC Co.	xx.x
DEF Co.	xx.x
XYZ	xx.x
AB & J	xx.x
KYLPN Co.	xx.x
GJ Investments	xx.x
JK Corp.	xx.x
Bank OP	xx.x
FKH Group	xx.x
ANGL Corp.	xx.x
Total	xx.x

OTHER DISCLOSURES [Indicate RELATED PARTY TRANSACTIONS, prospective investments and other disclosures deemed necessary or relevant] [This heading may be changed as appropriate]

Example:

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper and investments in ABC Co., a wholly-owned subsidiary of the Bank, amounting to Pxxx and Pxxx, respectively, which were approved by the Board of Directors. Likewise, all related parties transactions are conducted on an arm's length basis.

OUTLOOK AND STRATEGY

The Fund took advantage of the pockets of rallies supported by the substantial liquidity in the system. It took profit on its bond holdings across the curve in anticipation of increased volatility in the months ahead. Market corrections are likewise seen as opportunities to reposition in the more liquid and tradable bonds. Nonetheless, amidst prospects of further SDA rate hikes, we maintain our overall defensive stance. The Fund's prospective investments include xxx.