



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 999
Series of 2018

Subject: Amendment on the Allowable Investments of Unit Investment Trust (UIT) Funds

The Monetary Board, in its Resolution No. 365 dated 01 March 2018, approved the amendment to Subsection X410.9/4410Q.9 of the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on the allowable investments of UIT Funds.

Section 1. Subsection X410.9/4410Q.9 of the MORB/MORNBFI is hereby amended to read as follows:

"Subsection X410.9/4410Q.9 Allowable investments and valuation. UIT Fund investments shall be limited to bank deposits and the following financial instruments:

xxx

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.

In the case of Feeder Fund or Fund-of-Funds, offshore/global funds which use financial derivatives for efficient portfolio management (EPM) may be allowed as target fund: *Provided*, That financial derivatives shall not be extensively or primarily used as an investment strategy of the target fund and that the risk level of the target fund remain consistent with the objective and risk profile of the investor fund. For this purpose, the use of financial derivatives is deemed to be for EPM if:

- a. it is economically appropriate in that it is realized in a cost effective manner;
- b. the exposure is fully covered to meet any obligation to pay or deliver;
- c. it has at least one of the following aims:
 - (1) reduction of risk;
 - (2) reduction of cost with no increase or a minimal increase in risk; or
 - (3) generation of additional capital or income for the scheme with no increase or a minimal increase in risk.

Alternatively, the target fund should comply with the relevant regulatory requirements of its home jurisdiction as regards the use of financial derivatives for EPM.

Section 2. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



NESTOR A. ESPENILLA, JR.

Governor

14 March 2018