CIRCULAR LETTER

TO : ALL PRE-NEED COMPANIES

SUBJECT : GUIDELINES ON INVESTMENT OF TRUST FUND IN SAVINGS/TIME DEPOSIT AND UNIT INVESTMENTS TRUST FUNDS

WHEREAS, Section 34 of Republic Act No. 9829 or otherwise known as "The Pre-Need Code of the Philippines" enumerates where a trust fund of a pre-need company shall be invested and provides for the limitation thereof;

WHEREAS, Section 34 paragraph a.2 provides that a trust fund may be invested in savings/time deposits and unit investments trust funds (UITF) maintained with and managed by a duly authorized bank with satisfactory examination rating as of the last examination by the Bangko Sentral ng Pilipinas (BSP).

WHEREAS, Section 25 of Republic Act 7653 or otherwise known as "The New Central Bank Act" provides that the BSP has the power of supervision over, and conduct periodic or special examination of, banking institutions and quasi-banks, including their subsidiaries and affiliates engaged in allied activities.

WHEREAS, the CAMELS Rating of the BSP shall mean the soundness of a bank measured on a scale of 5 (strongest) to 1 (weakest). The rating is based on the adequacy and quality of a bank’s Capital, Assets, Management, Earnings, Liquidity, and Sensitivity.¹

WHEREAS, Memorandum No. M-2015-040 dated 05 November 2015² of the BSP provides that the Report of Examination (ROE) is the property of the BSP and is furnished to BSP-Supervised Financial Institutions’ (BSFIs) for their own use only. BSFIs, their directors and officers should treat the ROE and its contents as confidential and they are

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1 IC Circular Letter No. 08-2012
prohibited from disclosing or making public the same or make any representations concerning the ROE and its contents except:

1. In favor of a financial consultant, due diligence team head, and potential business partners upon written consent of the Deputy Governor, Supervision and Examination Sector;
2. In favor of third parties other than those enumerated in item 1 above, upon approval of the Monetary Board or the Governor; and
3. In favor of National Government Agencies (NGAs), Government-Owned or Controlled Corporations (GOCCs), and Local Government Units (LGUs), without prior BSP consent, through a certification, if such information is requested by the NGAs, GOCCs, or LGUs for the purpose of complying with a requirement of another government agency.

WHEREAS, there is need to clarify the rules on trust fund invested in savings/time deposits and UITF maintained with and managed by a duly authorized bank with a satisfactory examination rating of as of the last examination by the BSP.

NOW, THEREFORE, pursuant to the authority vested to the Insurance Commissioner under Section 6(k) of the Pre-Need Code of the Philippines, the following "Guidelines on the Investments of the Trust Fund of Pre-Need companies in savings/time deposits and UITF" is hereby promulgated:

Section 1. SCOPE. This Guidelines shall govern all trust fund investments of Pre-Need Companies in savings/time deposits and UITF maintained with and managed by a duly authorized bank.

Section 2. PRIOR APPROVAL. No Pre-Need Company may invest its trust funds in savings/time deposits and UITF without prior approval by this Commission.

For this purpose, the Pre-Need company shall submit a letter request informing the Commission of the names of the trustee company and the bank where the trust fund is to be invested and the amount to be deposited.

Section 3. VERIFICATION. The IC may validate on the CAMELS ratings disclosed to them by the bank upon submission of the following:

a. Certification on their CAMELS rating submitted by the bank; and
b. Authorization letter from the bank in favor of the IC to validate the said certification with the BSP.

Section 4. IMPLEMENTING DIVISION. The Investment Division shall be in-charge with the approval of the trust fund in savings/time deposits and UITF maintained with and managed by a duly authorized bank.

A bank shall be considered having a satisfactory examination rating provided it has at least a CAMELS rating of three (3) based on the last examination of BSP.
The Pre-Need Division shall continue, as the designated division, to verify the trust fund of Pre-Need companies. Such verification shall now include the verification of the CAMELS rating of the depository banks with the BSP.

Section 5. **EXISTING INVESTMENT ON SAVINGS/TIME DEPOSITS AND UITF MAINTAINED WITH AND MANAGED BY A DULY AUTHORIZED BANK.** Pre-Need companies with investment in savings/time deposits and UITF maintained with and managed by a duly authorized bank prior to the effectivity of this CL shall be required to submit the names of the trustee company and the bank where the trust fund was invested and the amount involved within fifteen (15) days from the effectivity of this Circular Letter.

In case the CAMELS rating of the bank where the trust fund was invested is below three (3), the Commission may require the Pre-Need company concerned to transfer such trust fund to other banks having a BSP satisfactory examination rating within thirty (30) days from receipt of such notice. The Pre-Need Company being directed to comply with the requirements of this section may request an additional period of thirty (30) days with the Insurance Commission which may be granted based on meritorious grounds.

Section 6. **SEPARABILITY CLAUSE.** If any part or provision of this Circular is held invalid or unconstitutional, the remaining part not affected shall remain valid and effective.

Section 7. **REPEALING CLAUSE.** All other circular letters, memoranda and issuances of the Insurance Commission contrary to or inconsistent herewith are deemed repealed, superseded or amended accordingly.

Section 8. **EFFECTIVITY.** This Circular shall take effect immediately.

For strict compliance.

DENNIS B. FUNA
Insurance Commissioner