

[CIRCULAR NO. 994, February 08, 2018]

AMENDMENTS TO THE MANUAL OF REGULATIONS FOR NON-BANK FINANCIAL INSTITUTIONS APPLICABLE TO NON-STOCK SAVINGS AND LOAN ASSOCIATIONS (MORNBFI-S) - FUND INVESTMENTS

*Adopted: 29 January 2018
Date Filed: 08 February 2018*

The Monetary Board, in its Resolution No. 20.A dated 5 January 2018, approved the amendments to the Manual of Regulations for Non-Bank Financial Institutions applicable to Non-stock savings and Loan Association (MORNBFI-S), as follows:

Section 1. Section 4391S is hereby amended to read as follows:

“Section 4391S Fund Investments. Consistent with the policies under the NSSLA Law (Republic Act No. 8367), NSSLAs shall primarily utilize the accumulated savings of its members for loans to service household needs of such members. However, temporary excess funds may be placed in safe and liquid investment outlets pending their deployment to support core operations. Excess funds generated from deposits and withdrawable capital contributions which the NSSLAs are unable to utilize for prudent lending activities may be returned to their contributing members at the discretion of the Board of Trustees, provided that, the Association, thereafter, remains compliant with the required capital-to-risk assets ratio and two percent (2%) withdrawable share reserve on total capital contributions.

The responsibility for supervising the NSSLAs investment account rests solely with the board of trustees. They have a fiduciary duty to the members and depositors, and are charged with an implied trust to use funds only for permitted purposes. They should ensure that risks in the investment portfolio should be minimized to ensure that liquidity and marketability are maintained. They must recognize that the investment account is primarily a secondary reserve for liquidity rather than a vehicle to generate speculative profits.

It is therefore imperative that the board of trustees adopt policies that clearly define the investment strategy and provide guidance to management on the direction and the level of risk the NSSLA is prepared to assume over its investments. It is through established objectives, strategies and policies that the board can actively monitor the appropriateness of NSSLA's risk profile and perform overall oversight function over its investment activities.

A written investment policy duly approved by the Board shall contain at the minimum, the following: