

[**BSP Circular No. 876, April 20, 2015**]

**AMENDMENTS TO UNIT INVESTMENT TRUST FUND (UITF)
REGULATIONS ALLOWING FOR A UNIT-PAYING FEATURE**

*Adopted: 20 April 2015
Date Filed: 29 April 2015*

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 (MORNBFI), 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