

GUIDELINES FOR INVESTING IN EXCHANGE TRADED FUNDS

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In order to ensure liquidity and further promote diversification of investment portfolios of insurance/reinsurance companies and mutual benefit associations (MBAs), Exchange Traded Funds (ETFs) may be allowed as additional investment outlet, provided that prior approval of the Insurance Commission (IC) shall be obtained. The request for approval must be accompanied by the following documents and information regarding the ETF company:

- Prospectus or latest Registration Statement;
- Audited Financial Statements for at least three (3) years;
- Most recent list of Basket of Securities of the index used; and
- Designated Fund Manager

In processing the requests for investment in ETFs, the following guidelines shall be observed:

- Only ETF shares currently listed in the Philippine Stock Exchange or a recognized stock exchange, whether domestic or foreign, shall be allowed.
- Indices to be considered shall be limited to those linked with composite stock market indices.
- The ETFs shall be managed by a Fund Manager who has at least three (3) years of solid experience in fund management. The ETF company shall obtain a one-time authorization from IC prior to engaging in ETF with prospective insurance/reinsurance company/MBA-investors.
- Investments can be made in either primary or secondary shares of the ETFs. Secondary shares may be purchased in the Exchange through the secondary market while primary shares may be purchased at net asset value (NAV) through the authorized participants.
- The ETF must comply with tracking error requirements and disclosures as may be prescribed by the Exchange where they are listed. Any deviation from the declared tracking error cap for three (3) consecutive business days shall immediately be reported to IC.
- For purposes of monitoring, monthly portfolio reports on the ETF exposure, including basket of securities, number of shares held, end of day market price per share, NAV, net asset value per share (NAVps), and tracking error shall be submitted on or before the first ten (10) working days of the following month.
- All other pertinent provisions of the Amended Insurance Code shall likewise be applicable.

For strict compliance.

(SGD) EMMANUEL F. DOOC
Insurance Commissioner

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