CREATION OF MULTI-CLASS UNIT INVESTMENT TRUST FUND (UITF)

BSP CIRCULAR NO. 853, October 21, 2014

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The Monetary Board in its Resolution No. 1526 dated 25 September 2014 approved the following amendments to Sections X410 and 4410Q of the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), respectively, to allow for the offering of a multi-class UITF.

Section 1. Subsection X410.1 and 4410Q.1 are hereby amended to read as follows:

> "Subsection X410.1/4410Q.1 Definitions
>
> "a. Unit Investment Trust Funds. x x x
>
> x x x
>
> i. MULTI-CLASS FUND. A UIT FUND STRUCTURE WHICH HAS MORE THAN ONE CLASS OF UNITS IN THE FUND AND IS INVESTED IN THE SAME POOL OF SECURITIES AND THE SAME PORTFOLIO, INVESTMENT OBJECTIVES AND POLICIES".

Previous item i is renumbered as item j of this subsection.

Section 2. Subsection X410.2/4410Q.2 are 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 UlT 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.

Section 3. Subsection X410.5/4410Q.5 are hereby amended to read as follows:

> "Subsection X410.5/4410Q.5 Operating and accounting methodology. xxx
>
> "a. The total assets and accountabilities of each fund shall be accounted for as a single account referred to as pooled-fund accounting method. THE INVESTMENTS OF A MULTI-CLASS FUND SHALL REMAIN AS ONE POOL AND ARE NOT SEPARATELY ALLOCATED TO CLASSES.
>
> b. Contributions to each fund by clients shall always be through participation in units of the fund and each unit shall have uniform rights AND privileges, as any other unit; IN THE CASE OF MULTI-CLASS FUND, UNITS SHALL BE ISSUED AS UNITS IN A CLASS OF A FUND.
>
> xxx
>
> d. The beneficial interest of each participation unit shall be determined under a unitized net asset value per unit

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(NAVPu) valuation methodology defined in the written plan of the UIT Fund, and no participation shall be admitted to, or redeemed from, the fund OR CLASS OF A FUND, except on the basis of such valuation. To arrive at a fund's NAVPu, the fund's total Net Assets is divided by the total outstanding units. Total Net Assets is a summation of the market value of each investment less fees, taxes, and other qualified expenses, as defined under the plan rules.

WHEN THERE IS A DIFFERENT FEE STRUCTURE FOR EACH CLASS, THE NAVPU OF EACH CLASS SHALL BE COMPUTED BY DIVIDING TOTAL NET ASSETS OF A CLASS BY THE TOTAL OUTSTANDING UNITS OF SUCH CLASS; WHERE, THE NET ASSETS OF EACH CLASS SHALL REPRESENT ITS PROPORTIONATE SHARE ON THE NET ASSETS OF THE MULTI-CLASS FUND LESS THE TRUSTEE FEE AND EXPENSES ATTRIBUTABLE TO THAT CLASS. THE NET ASSETS OF THE MULTI-CLASS FUND IS THE SUMMATION OF THE MARKET VALUE OF EACH INVESTMENT LESS FEES, TAXES, AND OTHER QUALIFIED EXPENSES, BUT GROSS OF TRUSTEE FEES AND EXPENSES ATTRIBUTABLE TO A PARTICULAR CLASS, AS DEFINED UNDER THE PLAN RULES.

Section 4. Subsection X410.6/4410Q.6 are hereby amended to read as follows:

"Subsection X410.6/4410Q.6 Plan Rules. xxx

"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, 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

e. The unitized NAVPu valuation methodology as prescribed under Subsec. X410.5.d shall be employed. THE PLAN RULES SHALL ALSO PROVIDE THE METHOD OF DETERMINING THE PROPORTIONATE SHARE OF THE CLASSES OF UNITS TO THE VALUE OF THE ASSETS OF THE FUND.

f. Terms and conditions governing the admission or redemption of units of participation in the fund. x x x Provided, That the admission and redemption prices shall be based on the end of day NAVPu of the fund OR OF the CLASS OF A FUND, IF APPLICABLE, computed after the cut-off time x x x

x x x

j. Amount of fees/commission and other charges to be deducted from the fund. x x x

SALES, DISTRIBUTION, marketing, AND/OR other promotional related expenses shall be for the account of the trustee and shall be presumed covered by the trust fee. IN THE CASE OF A MULTI-CLASS FUND THAT HAVE DIFFERENT LEVEL OF TRUSTEE FEES AND EXPENSES, THERE SHALL BE A POLICY ON THE EQUITABLE ALLOCATION OF ANY COSTS, CHARGES, AND EXPENSES PAYABLE OUT OF THE MULTI-CLASS FUND, WHICH ARE NOT ATTRIBUTABLE TO ANY PARTICULAR CLASS.

k. Such other matters as may be necessary or proper to define clearly the rights of participants in the Fund. x x x

Section 5. Effectivity. This Circular shall take effect fifteen (15) days following its publication in the Official Gazette or in any newspaper of general circulation in the Philippines.

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