


SEVENTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

SEP 19 10:59

SENATE
S.B. No. 1212

RECEIVED BY: 

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

AN ACT
ESTABLISHING A PHILIPPINE SOVEREIGN WEALTH FUND PROVIDING FOR THE
MANAGEMENT, INVESTMENT, AND USE OF PROCEEDS OF ITS ASSETS,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Over the last few years, the Philippines has managed to transform itself from the "Sick Man of Asia" to "Asia's Rising Star." It has impressed the international community with its robust economic growth, supported by solid monetary and fiscal policies, current account surpluses, relatively low external debt, high foreign exchange reserves, and strong overseas remittance flows from year to year. It is considered the fastest growing economy in Southeast Asia and second fastest in Asia, next only to China.

Given its recent significant economic gains and momentum, now is the right time for the country to start thinking and planning not only for our citizens' current needs but also for the welfare and prosperity of our future citizens. Now is the right time for our young but most promising nation to start saving and investing on behalf of current as well as next generations of Filipinos.

This measure, thus, seeks to create a Philippine Sovereign Wealth Fund as a long term investment vehicle for the Philippine government. As defined in the bill, a SWF is a special purpose investment fund or arrangement owned by the national government. Created by the government for macroeconomic purposes, a SWF holds, manages, or administers assets to achieve identified financial objectives. It also employs a set of investment strategies that include investing in foreign financial assets.

The creation of a SWF in the Philippines, in the form of the Philippine Investment Fund Corporation (PIFC), will help ensure that the wealth that the country has so far created and accumulated will continue to grow, be passed on to, and be beneficial for our children and our children's children. Earnings from the SWF are envisioned to boost and sustain a national budget that is directed at addressing

the needs of our poorest and most vulnerable citizens, and promoting the welfare and development of Filipinos in the margins.

Building on the knowledge and lessons from the experience of SWFs operating in different countries across the globe, this measure provides for the creation and management of a Philippine SWF that adheres to principles of good governance, transparency, and accountability. It will implement international best practices in investing and managing assets in accordance with Generally Accepted Principles and Practices ("Santiago Principles") for SWFs.

As we continue to push not just for high but also more inclusive growth, we must ensure not just more equitable sharing of wealth across geographic and social sectors but also across time and generations.

In view of the foregoing, the immediate approval of this bill is urgently sought.


Senator Paolo Benigno "Bam" A. Aquino IV



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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. *Title.* – This Act shall be known as the "*Philippine Investment Fund*
2 *Corporation Act.*"

3 SEC. 2. *Declaration of Policy.* – It shall be the policy of the State to develop a self-
4 reliant and independent national economy effectively controlled by Filipinos to ensure the
5 prosperity of the nation and to improve the quality of life of its current and future
6 generations of citizens. Towards this end, it shall establish a Sovereign Wealth Fund as a
7 State-owned investment fund for the purpose of accumulating national savings and in
8 promoting growth and social development across the nation.

9 ARTICLE I
10 DEFINITION OF TERMS

11 SEC. 3. *Definition of Terms.* – As used in this Act, the following terms shall mean:

- 12 1) *Alternative Investments* – an investment in an asset classes other than stocks,
- 13 bonds, or cash.
- 14 2) *Asset Class* – a group of investments that have the same characteristics, behave
- 15 similarly, and are subject to similar market forces, laws and regulations.
- 16 3) *Bangko Sentral ng Pilipinas (BSP)* – shall refer to the Central Bank of the
- 17 Philippines created under Republic Act No. 7653.
- 18 4) *Co-Investments* – joint ventures or arrangements in which two or more parties
- 19 contribute resources in order to achieve a goal.
- 20 5) *Commodities* – tangible products such as metal, crude oil, or grain.
- 21 6) *Equities* – shares, stocks, or securities that signify ownership interest in a
- 22 company.

- 1 7) *Fixed Income* – assets providing income to investors via a fixed coupon payment
2 which include, but not limited to, sovereign bonds, investment grade credit,
3 high-yield bonds, emerging market debt, and inflation-linked securities.
- 4 8) *Futures* – financial contracts obligating the buyer to purchase an asset or
5 the seller to sell an asset, such as a physical commodity or a financial instrument at a
6 predetermined future date and price.
- 7 9) *Global Financial Markets* – exchanges and institutions in countries where buyers
8 and sellers participate in the trade of assets such as equities, bonds, foreign
9 exchange, commodities, and any or all other markets in the financial sector.
- 10 10) *Government-Owned or -Controlled Corporation (GOCC)* – any agency organized as
11 a stock or non-stock corporation, vested with functions relating to public needs
12 whether governmental or proprietary in nature, and owned by the Government
13 of the Republic of the Philippines directly or through its instrumentalities either
14 wholly or, where applicable as in the case of stock corporations, to the extent of
15 at least a majority of its outstanding capital stock.
- 16 11) *High-Water Mark (HWM)* – the highest peak in value that an investment fund or
17 account has reached.
- 18 12) *Investment Mandates* – funds of GOCCs and their subsidiaries, government
19 owned and controlled funds with investment and development goals, and
20 investments of government financial institutions and government
21 instrumentalities mandated by Congress.
- 22 13) *Net Asset Value (NAV)* – the total value of the assets of a fund after its liabilities
23 has been subtracted.
- 24 14) *Private Equity* – an asset class consisting of equity and debt in operating
25 companies that are not publicly traded on a stock exchange.
- 26 15) *Private Markets* – a market where capital is raised by specific agreement
27 between investors. The terms of each transaction are negotiated separately,
28 usually remain private, and are not disclosed to third parties. Private markets
29 include private equity, real estate, infrastructure, and timber.
- 30 16) *Public Markets* – exchange listed securities or over-the-counter financial
31 contracts linked to listed securities and/or widely-followed indices or
32 benchmarks.
- 33 17) *Real Asset* – a tangible, touchable asset that has value.
- 34 18) *Risk Management* – the process of identification, analysis and acceptance or
35 mitigation of uncertainty in investment decisions.
- 36 19) *Santiago Principles* – the twenty four (24) Generally Accepted Principles and
37 Practices (GAPP) voluntarily endorsed by the International Forum of Sovereign
38 Wealth Funds (IFSWF) members. The Sovereign Wealth Funds' (SWF) GAPP are
39 designed as guidelines that assign best practices for the operations of SWFs.
40 They are the rules to be followed by SWFs management that promotes stability
41 in the global financial system, sets proper controls on investment risks, and
42 implements sound governance structure.
- 43 20) *Sovereign Wealth Funds (SWFs)* – special purpose investment funds or
44 arrangements owned by the national government. Created by the national
45 government for macro-economic purposes, SWFs hold, manage, or administer
46 assets to achieve financial objectives, and employ a set of investment strategies
47 that include investing globally and in all asset classes. SWFs are commonly

1 established out of balance of payment surpluses, official foreign currency
2 operations, the proceeds from privatizations, fiscal surpluses, and royalties or
3 taxes resulting from commodity exports. There are five (5) major classifications
4 of SWFs, namely, fiscal stabilization funds, savings funds, reserve investment
5 funds, development funds, and pension reserve funds.

6 **ARTICLE II**
7 **THE PHILIPPINE INVESTMENT FUND CORPORATION**

8 **SEC. 4. *Establishment of the Philippine Investment Fund Corporation.*** – There is
9 hereby created the Philippine Investment Fund Corporation, hereinafter referred to as
10 “PIFC” or the “Corporation,” as an independent corporate body attached to the Office of
11 the President. The PIFC shall operate as a Sovereign Wealth Fund (“SWF”) that adheres to
12 principles of good governance, transparency, and accountability. The PIFC shall invest
13 globally on a commercial basis in a manner designed to secure the future of the present
14 and upcoming generations.

15 **SEC. 5. *Ownership and beneficiaries of the PIFC.*** – The legal ownership of the
16 Corporation shall be vested in the Republic of the Philippines. The PIFC shall aim to provide
17 financial stability for economic development and to enable citizens to achieve economic
18 security and prosperity for the future. The Board of Directors (“Board”) shall have exclusive
19 legal custody of, and management of the Corporation, in accordance with this Act.

20 **SEC. 6. *Objectives of the PIFC.*** – The primary objective of the Corporation is to build
21 up savings for the present and future generations. To do so, the PIFC shall endeavor to
22 protect and enhance the long-term value of its capital and assets and to obtain the best
23 absolute return and achievable financial gains on its investments. The Corporation’s
24 activities shall contribute to a prudent and transparent management of government
25 resources.

26 The other objectives of the Corporation shall be:

- 27 a) To contribute to the annual national budget in accordance with this Act;
28 b) To provide an investment function platform for GOCCs and their subsidiaries,
29 government owned and controlled funds with investment and development
30 goals, and investments of government financial institutions and government
31 instrumentalities mandated by Congress; and
32 c) To enhance the capacity and capabilities build-up of human resources in the
33 financial and asset management industry and build-up the required
34 infrastructure to manage and monitor global multi-asset/multi-strategy
35 portfolios.

36 **SEC. 7. *Functions of the PIFC.*** – In order to achieve the objectives of the Corporation
37 and in carrying out its functions, the PIFC shall:

- 38 a) Establish a diversified portfolio of investments in the global financial markets and
39 in foreign assets that promote the objectives of the Corporation;
40 b) Manage and invest the initial and future contributions to the PIFC in accordance
41 with this Act;

- 1 c) Accept and manage Investment Mandates whose investment purpose is to
2 increase income for development goals;
3 d) Develop and foster skills in asset management, investment operations and
4 administration, risk mitigation and monitoring, and other related areas
5 consistent with the capacity and capabilities build-up of human resources in the
6 financial and asset management industry; and
7 e) Implement international best practices in investing and managing assets in
8 accordance with the Santiago Principles for SWFs or similar principles as may be
9 adopted by the Board.

10 **SEC. 8. Capitalization of the Corporation.** – The PIFC shall have an authorized capital
11 stock of Two Hundred Billion Pesos (Php 200,000,000,000.00) at its inception, which shall be
12 fully subscribed and paid in cash by the Government of the Republic of the Philippines upon
13 the approval of this Act. The Authorized Capitalization of the PIFC shall be appropriated in
14 the annual General Appropriations Act (“GAA”) or in such manner as the Government,
15 through the National Treasurer and the Secretary of Budget and Management, may
16 determine. The Authorized Capitalization of the Corporation shall be maintained at all
17 times. No amount shall be withdrawn from the PIFC, other than those stated in Section 10
18 of this Act, if it will diminish the Authorized Capitalization of the Corporation to an amount
19 less than its value at inception.

20 For the succeeding years after the implementation of this Act, the PIFC shall have an
21 appropriation from the annual GAA of between 0.2% and 0.5% of the country’s Gross
22 Domestic Product (“GDP”). Additional capitalization of the PIFC may be made upon approval
23 of the Council as recommended by the Board or through a Congressional mandate.

24 **SEC. 9. PIFC Investment Funds, Accounts, and Withdrawals.** – The PIFC shall
25 maintain various accounts for its investments, administration and operational activities:

- 26 a) Primary Investment Fund (“Prime Fund”) – From the authorized capital of the
27 Corporation, the Board shall deposit an amount equivalent to Three Billion
28 United States dollars (USD 3,000,000,000.00) or the equivalent thereof in foreign
29 currencies as initial capital contribution to a primary investment fund account of
30 the Corporation that will invest internationally. The Bangko Sentral ng Pilipinas
31 (“BSP”) shall provide the initial foreign currency requirements of the Corporation.
32 Subsequently, the BSP shall provide the basket of currencies the Corporation
33 requires. Other capital contributions to the Prime Fund shall be made upon
34 approval of the Board.

35 Withdrawals from the Prime Fund shall be made only after three years of
36 investment activities. Thereafter, only up to a total of fifty percent (50%) of the
37 PIFC’s net new gains may be withdrawn for purposes of contributing to the
38 National Budget or for such other purposes as approved by the Board but not
39 inconsistent with the objectives of the PIFC. A high-water mark (“HWM”) shall be
40 employed to define the net new gains. The HWM shall be reset every year after
41 the audited financial statements have been released by the PIFC. Withdrawals
42 can only be made after the audit has been finalized for any given fiscal year. The

1 notice period for any withdrawal is one year or shortened as determined by the
2 Investment Committee.

- 3 b) Special Investment Funds ("SIFs") – The Board shall accept and approve
4 Investment Mandates from GOCCs, other government owned and government
5 controlled funds, or government instrumentalities with investment purposes as
6 mandated by the President, the Council, or by legislation. The PIFC shall operate
7 and manage the SIFs in accordance with specific investment objectives,
8 investment strategies and risk parameters of the Investment Mandates.

9 Withdrawals from a SIF shall be in accordance with withdrawal rules agreed to by
10 the Corporation upon its acceptance.

- 11 c) Reserve Account and Reserve Investment Account – The PIFC shall maintain a
12 Reserve Account for funds of the Corporation not committed for investment
13 purposes. The funds of the Reserve Account not needed to meet the current
14 administrative and operational expenses of the PIFC shall be accumulated in the
15 Reserve Investment Account which the Corporation's Chief Investment Officer
16 and Chief Financial Officer shall manage jointly and invest with skill, care,
17 prudence, and diligence in line with the basic principles of safety/security, good
18 yield and liquidity and in a manner as the Board shall authorize. The Reserve
19 Investment Account may invest in both domestic and foreign markets.

20 **SEC. 10. Administrative and Operational Expenses.** – The Reserve Account shall be
21 used for any or all of the following purposes:

- 22 a) Payment for all expenses authorized by the Board in connection with the
23 discharge of its responsibilities and in the structuring, administration, and
24 operation of the Corporation;
25 b) Payment of compensation and fees to service providers contracted by the
26 Corporation in connection with the operations of the PIFC; and
27 c) Payment for administrative costs, expenses, obligations or liabilities directly
28 related to the administration of the PIFC.

29 **ARTICLE III**
30 **INVESTMENTS**

31 **SEC. 11. Allowable Investments.** – The Board shall authorize the following:

- 32 a) Investments shall be made only in global financial markets and foreign assets;
33 b) Global investments that shall include:
34 i. A diversified portfolio of investments in:
35 a. Equities
36 b. Fixed Income
37 c. Commodities
38 d. Cash and Foreign Currencies
39 e. Futures
40 f. Real Estate
41 g. Private Equity

- 1 c) The National Treasurer as a member and who shall head the Secretariat;
- 2 d) The Secretary of the Department of Budget and Management (DBM) as member;
- 3 e) The Governor of the BSP as member;
- 4 f) The Chairperson of the Governance Commission for Government Owned or
- 5 Controlled Corporations (GCG) as member; and
- 6 g) The Solicitor General as member.

7 The Council shall meet at least twice a year or as may be requested by the Board to
8 seek guidance and counsel with regards to the objectives of the PIFC. The Council shall have
9 a Secretariat composed of the National Treasurer and the Secretary of the DBM and appoint
10 at least a Deputy Treasurer and two (2) Undersecretaries from the DOF and DBM to assist.
11 The Secretariat shall provide the monitoring and assessment function on behalf of the
12 Council. The Secretariat shall perform such other duties as delegated by the President or as
13 agreed to by the Council in accordance with this Act.

14 **SEC. 15. *The Board of Directors.*** – The Board shall be responsible for the overall
15 governance and performance of the PIFC. The Board oversees the Corporation’s activities
16 and control of its assets. The Board may elect to form an Advisory Committee composed of
17 foreign top executives and professionals who have managed SWFs and experts in
18 economics, finance, and the global financial markets.

19 **SEC. 16. *Functions of the Board.*** – The primary function of the Board is to manage
20 the PIFC, its assets and investments in accordance with this Act. The functions of the Board
21 are:

- 22 a) To determine the investment strategies of the Corporation;
- 23 b) To appoint the Chief Executive Officer;
- 24 c) To appoint the Administrator and Custodian upon the recommendation of the
- 25 Investment Committee;
- 26 d) To determine the functions of the Executive Management and Investment
- 27 Committee;
- 28 e) To determine the organizational structure, staffing pattern, and number of all
- 29 personnel of the Corporation, define their duties and responsibilities, and fix
- 30 their compensation and other emoluments;
- 31 f) To adopt, amend, revise, modify or repeal rules and regulations necessary to
- 32 implement the provisions of this Act;
- 33 g) To approve investments of the Corporation and acceptance of Investment
- 34 Mandates;
- 35 h) To confirm that requests for withdrawals from the PIFC are consistent with this
- 36 Act and any other related laws;
- 37 i) To appoint other persons as are necessary to assist the Board in carrying out its
- 38 functions;
- 39 j) To report to the President, the Council, and Congress; and
- 40 k) To do all things incidental to or conducive to the performance of any of the
- 41 above functions.

42 **SEC. 17. *Composition of the Board.*** – The Board shall be composed of the following:
43 a) The Chairperson of the Board;

- b) The Vice Chairperson of the Board;
- c) Five (5) members who are reputable members of the private sector with proven competence and experience in finance, economics, investments, business management, or law; and
- d) Two (2) members who shall be selected from any of the leading business or financial associations of the Philippines.

The Council shall increase the composition of the Board as it may deem necessary to achieve the objectives of the PIFC.

SEC. 18. *Qualifications of the Chairperson and Board Members.* – All Board Members shall be citizens of the Philippines and must be of good moral standing and reputation, of recognized probity and independence, and have substantial experience and expertise in any of the following: (a) corporate governance and administration, (b) investment in financial assets, or (c) management of investments in the global markets. In addition to the requirements for nomination of a Board Member, the Chairperson must have over 10 years of experience in corporate governance, have been a top level executive for at least 8 years in a recognized global financial institution, and have a wide exposure to and deep understanding on the mechanics of managing investments in the global markets.

SEC. 19. *Appointment of the Chairperson and Board Members.* – A Nominating Committee consisting of the Secretary of the DOF, the National Treasurer, the GCG Chairperson, and two (2) representatives from the financial sector shall assist in the selection process of the members of the Board.

The President shall, acting in accordance with the advice of the Nominating Committee, appoint the Chairperson of the Board. The Council shall, acting in accordance with the advice of the Nominating Committee, appoint all other Board Members.

SEC. 20. *Duties and Responsibilities of Board Members.* – A Board Member, when exercising his powers and duties under this Act, shall:

- a) Act in good faith and in the best interest of the Board and the Corporation;
- b) Exercise the standard of care, diligence and skill that would be reasonably expected of a member of such a Board in the same circumstance;
- c) Maintain full confidentiality in relation to the business and affairs of the Board;
- d) Not divulge or use for his benefit or the benefit of any other person, any information relating to the Corporation or the Board or his function as a Board Member, except in accordance to this Act or as otherwise required by law; and
- e) Avoid at all times conflict of interests wherein the Board Member will or may derive a material financial interest, directly or indirectly, from transactions of which the Board is a party to or where it relates to the activities of the Corporation.

A Board Member who violates the provisions as provided for in this Section shall be terminated as Board Member, penalized with a fine not exceeding Five Hundred Thousand Pesos (Php 500,000.00), or imprisoned as determined by law, or both.

1 Officer, a Chief Technology Officer, and a Head of Compliance and such other officers as are
2 necessary to carry out its functions.

3 **SEC. 25. *The Functions of the Executive Management.*** – The functions of the
4 Executive Management shall be as follows:

- 5 a) To provide executive and administrative support to the Corporation;
- 6 b) To do all things as are necessary to give effect to the decisions of the Board;
- 7 c) To provide information to the Board on the global financial markets;
- 8 d) To provide information to the Board, if required, on the performance of a Fund
9 Manager, Asset Manager, Investment Manager, Investment Adviser,
10 Administrator, Custodian or any other appointments made by the Board and the
11 Investment Committee;
- 12 e) To prepare annual and quarterly reports for the Board; and
- 13 f) Such other functions as determined by the Board.

14 The Executive Management may do anything incidental to or conducive for the
15 performance of any of the above functions as approved by the Board.

16 **SEC. 26. *The Investment Committee.*** – The Investment Committee shall be
17 composed of the Chief Executive Officer, the Chief Investment Officer, and the Chief Risk
18 Officer. The Board may increase the composition of the Investment Committee, from time
19 to time, to help ensure that the investment objectives of the Corporation are attained in
20 accordance with this Act.

- 21 a) The Chief Executive Officer (CEO) shall:
 - 22 i. Head the Executive Management;
 - 23 ii. Be responsible to the Board for the efficient carrying out of its functions;
 - 24 iii. Act in accordance with the directions of the Board;
 - 25 iv. Appoint such officers of the Executive Management as are necessary to
26 carry out the functions of the Corporation, subject to the authorities
27 granted by the Board;
 - 28 v. Have at least 12 years of experience and expertise in Corporate
29 Governance and Administration, in investment and asset management,
30 and exposure in the global financial markets; and
 - 31 vi. Be a member and Vice Chairperson of the Board.

- 32 b) The Chief Investment Officer (CIO) shall:
 - 33 i. Head the Investment Function;
 - 34 ii. Be responsible to the Board and/or the CEO for the efficient carrying out
35 of the investment function;
 - 36 iii. Act in accordance with the directions of the Board and the CEO on
37 managing investment performance;
 - 38 iv. Chair the Investment Committee that will oversee and approve the
39 inclusion of suitable investments that meet the investment objectives set
40 by the Board and the CEO;
 - 41 v. Constitute a sub investment advisory committee as needed that may
42 include voting heads of asset management and risk management; and

1 vi. Have at least ten (10) years of experience in global financial markets and
2 expertise in managing a diversified portfolio of asset classes.

3 c) The Chief Risk Officer (CRO) shall:

- 4 i. Head the Risk Function;
5 ii. Be responsible to both the CEO and the CIO for efficiently carrying out the
6 risk function;
7 iii. Act in accordance with the directions of the Board and the Investment
8 Committee;
9 iv. Determine, along with the CIO, the degree of capital preservation and
10 risk-taking for the investment function platform and portfolio; and
11 v. Have at least five (5) years of experience in global financial markets and
12 risk management operations.

13 The Board may allow the delegation or outsourcing of some of the functions of the
14 CIO and the CRO: *Provided*, That the CIO and CRO shall retain overall supervision of the
15 investment and risk functions of the PIFC: *Provided, further*, That the outsourcing of any of
16 the functions of the CIO and CRO may only be undertaken for a specified period as
17 determined by the Board.

18 **SEC. 27. The Functions of the Investment Committee.** – The functions of the
19 Investment Committee shall be as follows:

- 20 a) To formulate investment policies and implementing rules;
21 b) To select criteria and targets for investments;
22 c) To define the investment processes which includes asset allocation, manager
23 selection, portfolio construction, and risk mitigation;
24 d) To provide standards for measuring performance and risk;
25 e) To develop strategies appropriate for the investments;
26 f) To approve acquisitions, disposals and capital expenditure in line with the limits
27 of authority delegated to it by the Board;
28 g) To schedule deposits and withdrawals of the PIFC;
29 h) To appoint external managers and third party service providers;
30 i) To assist the Board in the selection of the Administrator and Custodian and
31 supervise their activities on behalf of the Board;
32 j) To review the performance of portfolios;
33 k) To report regularly and make recommendations to the Board for approval;
34 l) To obtain outside professional advice to assist with the execution of its duties;
35 and
36 m) To perform such other functions as determined by the Board.

37 **ARTICLE VI**

38 **EXTERNAL MANAGERS, ADMINISTRATOR AND CUSTODIAN**

39 **SEC. 28. Engagement of External Managers.** – The Investment Committee may
40 engage fund managers, asset managers, investment managers, and investment advisors as
41 the Investment Committee considers necessary to manage the investments of the PIFC. The

1 External Managers shall implement the strategies and directions of the Investment
2 Committee in relation to the investments of the PIFC.

3 The Investment Committee shall set the terms and conditions of, and determine the
4 process for, engagement of the External Managers as well as the conditions for the
5 termination of such an engagement.

6 **SEC. 29. *Engagement of the Administrator and Custodian.*** – The Board shall appoint
7 the Administrator and the Custodian in an open, competitive, and transparent manner. They
8 shall be responsible for the following:

- 9 a) Holding and safekeeping of assets;
- 10 b) Implementing strategies and controls to safeguard the assets;
- 11 c) Reporting on assets under its custody;
- 12 d) Executing settlements in accordance with the directions and instructions of the
13 Board;
- 14 e) Maintaining the Registry of shares;
- 15 f) Administrative processing of subscription and redemptions and withdrawals of
16 investments;
- 17 g) Preparing and maintaining the financial and accounting records and statements;
- 18 h) Determining the Net Asset Value (NAV);
- 19 i) Arranging for the provision of accounting and administrative services;
- 20 j) Disbursing payments of costs, fees and compensation, if any; and
- 21 k) Performing any related administrative and custody services for the Corporation.

22 The Board shall set terms and conditions of, and determine the process for,
23 engagement of the Administrator and Custodian as well as the conditions for the
24 termination of such an engagement. The Board may make further provisions for the
25 Administrator and Custodian, not inconsistent with this Act.

26 **ARTICLE VII**
27 **AUDIT**

28 **SEC. 30. *Compliance with International Financial Reporting Standards.*** – In
29 preparing the Corporation’s financial statements, the Board shall endeavor to ensure that it
30 complies with international financial reporting standards.

31 **SEC. 31. *Engagement of an Internal Auditor.*** – The Board shall appoint an internal
32 auditor, who shall provide written interim financial and management reports as requested
33 by the Board. A copy of each interim report shall be presented to the Secretariat of the
34 Council.

35 **SEC. 32. *Engagement of an External Auditor.*** – The Board shall appoint, for each
36 accounting period or as soon as practicable after the commencement of the relevant
37 accounting period, an internationally recognized auditing firm to be the External Auditor of
38 the Corporation and to audit its financial statements.

39 The External Auditor shall:

- 1 a) Be appointed for a term of one (1) year;
2 b) Be eligible for re-appointment; and
3 c) Hold office on such terms and conditions as are determined by the Board.

4 **SEC. 33. *Applicability.*** – The responsibilities of the Internal Auditor and External
5 Auditor shall be without prejudice to the power, authority and duty of the Commission on
6 Audit (COA) to examine, audit and settle all accounts, pertaining to the revenues and the
7 use of funds and property owned and held in trust by any government instrumentality,
8 including GOCCs. The PIFC shall be subject to the rules and regulations of the Commission
9 on Audit (COA) as provided in the Constitution and existing laws.

10 **ARTICLE VIII**
11 **REPORTS & RECORDS**

12 **SEC. 34. *Interim Reports.*** – When required by the Board, interim quarterly or semi-
13 annual reports shall be submitted as soon as practicable detailing the performance of the
14 investments of the Corporation.

15 **SEC. 35. *Annual Reports.*** – The Board shall, as soon as practicable after the 31st
16 December of each year, prepare and furnish to the President, the Council, and Congress, an
17 annual report on its operations and the financial statements for that year.

18 The Board shall ensure that the annual report received by the Board, is made public
19 as soon as practicable, but not later than thirty (30) days after the annual report is delivered
20 to the Secretariat of the Council.

21
22 **SEC. 36. *Records.*** – The records of the Corporation pertaining to its investment
23 activities will be secured and maintained for no less than ten (10) years or as long as assets
24 and investments of the Corporation exists. Access to Corporate records will be either upon
25 approval of the Board or by law. Records of Fund Investment Vehicles shall be maintained
26 and accessible to the regulatory authorities where the foreign assets and investment are
27 domiciled.

28 **ARTICLE IX**
29 **MISCELLANEOUS**

30 **SEC. 37. *Indemnification and Insurance.*** – With respect to any actions in which any
31 of the PIFC's Board and officers is a party, the Corporation shall indemnify and hold
32 harmless such person against any loss, claim, damage, charge, liability or expense, including,
33 without limitation, reasonable attorneys' fees and disbursements which any such
34 indemnitee may incur arising out of their activities or involvement with or on behalf of the
35 Corporation, as the case may be: *Provided*, That the indemnitee acted in good faith and in a
36 manner reasonably believed to be in, or not opposed to, the best interests of the
37 Corporation and: *Provided, further*, That the indemnitee's action did not constitute fraud,
38 willful misconduct, bad faith, gross negligence or failure to comply in accordance with this
39 Act or any applicable law.

1 The PIFC may purchase and maintain insurance in relation to the Board and key
2 officers against any liabilities asserted against them.

3 **SEC. 38. Exemption from Taxes, Duties, and Customs Charges.** – The Corporation
4 shall be exempt from payment of all taxes in the Philippines of every name and nature –
5 municipal, city, provincial or national and all other properties owned and operated by it and
6 duties on all supplies, materials and equipment imported for and/or by the Corporation.
7 However, the PIFC may be subject to applicable taxes in the countries in which the
8 Corporation invests.

9 **SEC. 39. Exemption from the Government Procurement Act.** – The Corporation’s
10 transactions shall be exempt from the provisions of Republic Act No. 9184, otherwise known
11 as the “Government Procurement Act”.

12 **SEC. 40. Exemption from Civil Service Rule, Salary Standardization Act, and Law on**
13 **Compensation.** – The officers and employees of the Corporation shall be exempt from the
14 rules and regulations of the Civil Service Commission. Further, they shall be exempted from
15 the provisions of Republic Act No. 6758, otherwise known as the “Salary Standardization
16 Act,” as well as the provisions of Republic Act No. 10149, otherwise known as the “Law on
17 Compensation in Government Corporations.” The compensation of the officers and key
18 personnel of the Corporation shall be set based on an objective classification consistent
19 with international standards for compensating investment management professionals
20 managing global assets, taking into consideration the importance and responsibilities
21 attached to the respective positions. The compensation structure of the PIFC shall be
22 submitted by the Board to the President for approval.

23 **SEC. 41. Compliance with Host Countries’ Laws and Regulatory Principles.** – The
24 Board shall not operate or manage, and the PIFC shall not be invested, in a manner that
25 breaches the laws of any host country. The PIFC shall comply with all applicable regulatory
26 and disclosure requirements in the countries in which it will invest.

27 **SEC. 42. Implementing Rules and Regulations.** – Within ninety (90) days from the
28 effectivity of this Act, the Board, in consultation with the Executive Management, shall
29 promulgate the necessary rules and regulations for the implementation of this Act.

30 **SEC. 43. Appropriations.** – The amount of Two Hundred Billion Pesos (Php
31 200,000,000,000.00) for the initial capitalization of the PIFC shall be included in the General
32 Appropriations Act. Thereafter, additional capitalization equivalent to 0.2% to 0.5% of the
33 country’s Gross Domestic Product (GDP) per year shall be included in the annual General
34 Appropriations Act.

35
36 **SEC. 44. Separability Clause.** – If any provision of this Act is declared invalid or
37 unconstitutional, the remaining parts or provisions not affected shall remain valid.

38 **SEC. 45. Repealing Clause.** – All acts, executive orders, administrative orders,
39 proclamations, rules and regulations or parts thereof inconsistent with any of the provisions
40 of this Act are hereby repealed or modified accordingly.

1 **SEC. 46. Effectivity.** – This Act shall take effect fifteen (15) days after its publication
2 in the Official Gazette or in two (2) newspapers of general circulation.

3 *Approved,*