

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



Senate  
Office of the Secretary

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SENATE

S. B. No. 1764

RECEIVED BY: /

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INTRODUCED BY SENATOR JOSEPH VICTOR G. EJERCITO

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

EXPLANATORY NOTE

According to the World Bank, the Philippines will continue to be the fastest-growing economy in the Association of Southeast Asian Nations (ASEAN) region. With an economic growth of 6.7 percent in 2017, the country's growth momentum is expected to persist riding on improved global demand for Philippine exports, robust domestic consumption, and expected higher government investments in infrastructure.

With the robust economic growth of the Philippines, we have the opportunity to look forward and plan for the bright future ahead of us. As public servants, we have a duty not only to our current generation but also to the future generation of Filipinos. It is incumbent on us to invest and build a savings base for the future of this nation.

This proposed measure seeks to establish a Philippine Sovereign Wealth Fund. A Sovereign Wealth Fund (SWF) is a special purpose investment fund owned by a national government. SWFs are created by the national government for macroeconomic purposes, SWFs hold, manage, and administer assets to achieve financial objectives of a government, and employ a set of investment strategies that may include investing globally and in different asset classes.

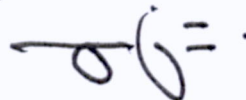
SWFs are established for various objectives such as, but not limited to, diversifying national assets, insulating economy against volatile commodity prices, getting high returns on investment, and promoting national interests rather than letting the excess foreign liquidity sit idly or be siphoned off by foreign debt payments.

According to the Sovereign Wealth Fund Institute (SWFI), as of September 2017, sovereign wealth funds around the world had amassed \$7.4 trillion in assets under management, up from \$3.4 trillion almost a decade ago. For example, Norway's sovereign wealth fund, the largest in the world, has just exceeded \$1 trillion for the first time in 2017. As sovereign wealth funds around the world grow in size and number, they are becoming increasingly powerful players on the global financial scene.

Currently, the Philippines has a growing foreign exchange reserves, which may be used for investment. However, the Bangko Sentral ng Pilipinas (BSP) is not allowed by its charter to invest the foreign exchange reserves in risky assets and undertakings, and is confined to investing in conservative assets, such as US treasuries. Hence, this bill creates a Board of Directors which has exclusive legal custody of, and management responsibility for the Sovereign Wealth Fund. The Philippine Investment Fund Corporation (PIFC) is also created to establish a diversified portfolio of investments in the global financial markets and in foreign assets. We acknowledge that managing this kind of fund requires long-term responsibility, good governance, transparency and accountability. Thus, this bill requires the implementation of this law to adhere to international best practices in investing and managing assets in accordance with the Generally Accepted Principles and Practices also known as the Santiago Principles for SWFs.

The Philippines' role as a major player in economic development in Asia in the future is inevitable, and the timing of a creation of a Philippine SWF cannot be more perfect given our robust economy. More than the economic numbers we have achieved in the recent years, what is more important is putting those numbers in concrete forms felt by all Filipinos of different generations.

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

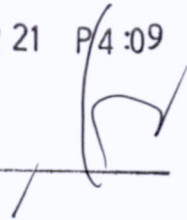


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APPROPRIATING FUNDS THEREFOR, AND OTHER PURPOSES

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 Sovereign Wealth*  
2   *Fund Act*"

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

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

- 1 7) *Fixed Income* – assets providing income to investors via a fixed coupon payment  
2 which include, but not limited to, sovereign bonds, investments 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 the  
5 seller to sell an asset, such as a physical commodity or a financial instrument  
6 at a predetermined future date and price.
- 7 9) *General Appropriations Act (GAA)* – shall refer to the annual national budget of  
8 the Philippines.
- 9 10) *Global Financial Markets* – exchanges and institutions in countries where buyers  
10 and sellers participate in the trade of assets such as equities, bonds, foreign  
11 exchange, commodities, and any or all other markets in the financial sector.
- 12 11) *High-Water Mark (HWM)* – the highest peak in value that an investment fund  
13 or account has reached.
- 14 12) *Investment Mandates* – funds of GOCCs, government owned and controlled  
15 funds with investment goals, and investment mandates of government  
16 financial institutions and government instrumentalities.
- 17 13) *Memorandum of Understanding (MOU)* – is a non-binding agreement between  
18 two or more parties which expresses a convergence of will between the parties,  
19 indicating an intended common line of action.
- 20 14) *Memorandum of Agreement (MOA)* – is a binding agreement between two or  
21 more parties which expresses intended common objectives and interest for a  
22 mutually beneficial engagement.
- 23 15) *NFDF* – shall mean National Future Development Fund.
- 24 16) *Net Asset Value (NAV)* – the total value of the assets of a fund after its liabilities  
25 has been subtracted.
- 26 17) *Private Equity* – an asset class consisting of equity and debt in operating  
27 companies that are not publicly traded on a stock exchange.
- 28 18) *PESSF* – shall mean Philippine Economic and Social Stabilization Fund.
- 29 19) *Offering Memorandum* – is a legal document that states the objectives, risk, and  
30 terms of an investment involved with a private placement.
- 31 20) *Private Markets* – a market where capital is raised by specific agreement.
- 32 21) *Public Markets* – exchange listed securities or over-the-counter financial  
33 contracts linked to listed securities and/or widely-followed indices or  
34 benchmarks.
- 35 22) *Real Asset* – a tangible, touchable asset that has a value.



- 1 23) *Risk Management* – the process of identification, analysis and acceptance or  
2 mitigation of uncertainty in investment decisions.
- 3 24) *Santiago Principles* – the twenty-four (24) Generally Accepted Principles and  
4 Practices (GAAP) voluntarily endorsed by the International Forum of  
5 Sovereign Wealth Funds (IFSWF) members. The Sovereign Wealth Funds’  
6 (SWF) GAAP are designed as guidelines that assign best practices for the  
7 operations of SWFs. They are the rules to be followed by SWFs management  
8 that promotes stability in the global financial system, sets proper controls on  
9 investment risks, and implements sound governance structure.
- 10 25) *Sovereign Development Fund (SDF)* – a strategic government-sponsored  
11 investment organization representing a sub set of SWF’s that combines  
12 financial performance objectives with development objectives.
- 13 26) *SIF* – shall mean Special Investment Fund.
- 14 27) *Sovereign Wealth Funds (SWFs)* – special purpose investment funds or  
15 arrangements owned by the national government. Created by the national  
16 government for macro-economic purposes, SWF’s hold, manage, or administer  
17 assets to achieve financial objectives, and employ a set of investment strategies  
18 that include investing globally and in all asset classes. SWFs are commonly  
19 established out of balance of payment surpluses, official foreign currency  
20 operations, the proceeds from privatizations, fiscal surpluses, and royalties or  
21 taxes resulting from commodity exports. There are five (5) major classifications  
22 of SWFs, namely, fiscal stabilization funds, savings funds, reserve investment  
23 funds, development funds, and pension reserve funds.
- 24 28) *SPV* – shall mean Special Purpose Vehicle

25 **SEC. 4. Objectives.** – The primary purpose of the Philippine Sovereign Wealth  
26 Fund is to strengthen the financial positions of the Republic of the Philippines by setting  
27 aside funds for future needs of the current generation and create wealth and prosperity  
28 for future generations.

29 The specific objectives of the Philippine Sovereign Wealth Fund are as follows:

- 30 a) Build a savings base for the Filipino people;
- 31 b) To ensure inter-generational equity by allowing future generations to benefit  
32 from windfall profit stemming from the current generation’s exploitation of  
33 natural resources;

- c) Provide stabilization support in times of stress to the economy, threat to national security, and economic and social dislocations caused by natural disasters;
- d) Provide assistance in nation building through continued support to the educational development of the youth, health benefits specially to the poor segment of the population and housing provision to the marginalized families;
- e) Enhance the development of Philippine agriculture, trade and industry, energy, and infrastructure sectors;
- f) Improve governance for both public and private entities engaged in economic development for sustainable and inclusive growth;
- g) Attract co-investments from strategic investors, sovereign wealth funds and internationally recognized investment funds, to enhance economic development goals;
- h) To provide reserve funding to unknown future liabilities related to ageing population; and
- i) Maximize investment returns on excess foreign exchange reserves.

## PART I

### THE PHILIPPINES SOVEREIGN WEALTH FUND

**SEC. 5. *Establishment of the Philippines Sovereign Wealth Fund*** – There is hereby created a Sovereign Wealth Fund for the Philippines that adheres to principles of good governance, transparency, and accountability. The Philippine Sovereign Wealth Fund, hereinafter referred as, the “PSF” or “the Fund” shall invest on a strategic and commercial basis in a manner designed to secure the future of the present and upcoming generations.

The PSF shall consist of separate and distinct sub-funds known as:

- a) An investment and savings fund hereby referred to as the Philippines Investment Fund Corporation (“PIFC”), an independent corporate body attached to the Office of the President;
- b) A development fund hereby referred to as the National Future Development Fund (“NFDF” or the “Development Fund”); and
- c) A Philippine Economic and Social Stabilization Fund (“PESSF” or the “Stabilization Fund”).



**SEC. 6. *Ownership and beneficiaries of the PSF*** – The legal ownership of the Philippine Sovereign Wealth Fund is vested in the Republic of the Philippines. It shall be managed and invested for the benefit of current and future generations.

The Board of Directors or the “Board”, as created by Section 21 of this Act, has exclusive legal custody of, and management responsibility for the Sovereign Wealth Fund, in accordance with this Act.

## PART II

THE PHILIPPINE INVESTMENT FUND CORPORATION

SEC. 7. *Functions of the PIFC.* - In achieving the objectives of the Fund under Section (4) of this Act and for carrying out its function, the PIFC shall:

- a) Establish a diversified portfolio of investments in the global financial markets and in foreign assets that promote the objectives of the PIFC;
- b) Manage and invest the initial and future contribution to the PIFC in accordance with this Act;
- c) Accept and manage Investment Mandates whose investment purpose is to increase income and savings;
- d) Develop and foster skills in asset management, investment operation and administration, risk mitigation and monitoring, and other related areas consistent with the capacity and capabilities build-up of human resources in the financial and asset management industry; and
- e) Implement international best practices in investing and managing assets in accordance with the Santiago Principles for SWFs or similar principles as may be adopted by the Board.

SEC. 8. *Investment Mandate.* – The Board shall authorize the following:

- a) Investment of the PIFC, either directly or through investment fund managers, on a prudent commercial basis, consistent with international best practice in portfolio management and manager selection;
- b) Investments authorized by the Board are deemed to be investments of the PIFC;
- c) The Chief Executive Officer and the Chief Investment Officer of the PIFC shall, after consultation with the Board recommend to the Board a written investment mandate in respect of investments of the PIFC;

1 d) The investment mandate shall include:

- 2 i. A direction in the acceptable balance between risk and return in the
- 3 overall Fund portfolio;
- 4 ii. Standards for assessing the investment performance;
- 5 iii. Policies with regards to risk management of the investment;
- 6 iv. Matters relating to international best practice for institutional
- 7 investments;
- 8 v. Directions regarding ethical investment, including policies, standards
- 9 and procedures for avoiding prejudice to the Republic of the
- 10 Philippines' reputation as a responsible member of the world
- 11 community; and
- 12 vi. Such other directions, not inconsistent with this Act, as the Board
- 13 consider relevant.

14 e) Without limiting the investment mandate,

- 15 i. The PIFC assets shall not be used as collateral for a loan or otherwise
- 16 encumbered outside for bridge financing of the PIFC investments and
- 17 possible collateral for foreign exchange transactions;
- 18 ii. The PIFC assets shall not be used as security or to support any
- 19 guarantees of the National Government; and
- 20 iii. Investments of the PIFC shall be made in the name of the Corporation,
- 21 unless otherwise authorized by the Board.

22 **SEC. 9. *Investment Funds.*** – The PIFC shall maintain various accounts for its

23 investments, administration and operational activities:

- 24 a) A Primary Investment Fund ("Prime Fund") – From the Authorized Capital of
- 25 the Corporation, the Board shall determine the equivalent amount of deposit
- 26 in United States dollars (or an equivalent basket of foreign currencies as initial
- 27 capital contribution to a primary investment fund account of the PIFC that will
- 28 invest internationally in a globally diversified portfolio of assets, strategies,
- 29 and regional orientation. The Bangko Sentral ng Pilipinas ("BSP") shall
- 30 provide the initial foreign currency requirements of the Corporation.
- 31 Subsequently, the BSP or any reputable international Bank shall provide the
- 32 basket of currencies that the PIFC requires to execute and implement
- 33 effectively and efficiently its investment activities. Other capital contributions
- 34 to the Prime Fund shall be made upon approval of the Board.



- 1 b) Special Investment Funds ("SIFs") – The Board may accept and approve  
2 Investment Mandates from GOCCs, or government owned and controlled  
3 funds, or government instrumentalities with investment purposes as  
4 mandated by the President or by Congress. The PIFC shall operate and manage  
5 the SIFs in accordance with specific investment objectives, investment  
6 strategies and risk parameters of the Investment Mandates.
- 7 c) A Reserve Account and Reserve Investment Account – The PIFC shall maintain  
8 a Reserve Account for funds of PIFC not committed for investment purposes.  
9 The funds of the Reserve Account not needed to meet the current  
10 administrative and operational expenses of the PIFC shall be accumulated in  
11 the Reserve Investment Account which the PIFC's Chief Investment Officer  
12 and Chief Financial Officer shall manage jointly and invest with skill, care,  
13 prudence, and diligence in line with the basic principles of safety/security,  
14 good yield and liquidity and in a manner as the Board shall authorize. The  
15 Reserve Investment Account may invest in both domestic and foreign markets.

16 SEC. 10. *Allowable Investment of the PIFC.* – The Board shall authorize the  
17 following:

- 18 a) Investments shall be made only in global financial markets and foreign assets;  
19 b) Global investments that shall include:  
20 i. A diversified portfolio of investments in:  
21 a. Equities  
22 b. Fixed Income  
23 c. Commodities  
24 d. Cash and Foreign Currencies  
25 e. Futures  
26 f. Real Estate  
27 g. Private Equity  
28 ii. Alternative Investments  
29 iii. Investments in Private markets  
30 iv. Investments in Public markets  
31 v. Investments in Real assets  
32 vi. Joint Ventures or Co-Investments  
33 vii. Such other investments, not inconsistent with this Act, as the Board  
34 considers qualified and relevant.

**SEC. 11. PIFC's Investment Vehicles.** - Any of the investments of the PIFC shall be held in an entity that is formed, controlled or authorized by the Board for the purpose of facilitating or managing the investments of the PIFC. Interests in the investment vehicles are the PIFC's investment holdings and assets. The Investment Committee shall execute, operate and supervise the Fund Investment Vehicles of the PIFC.

PART III

THE NATIONAL FUTURE DEVELOPMENT FUND

**SEC. 12. *Functions of the Development Fund.*** - In achieving the objectives of the Sovereign Wealth Fund under Section 4 (d), (e), (f) of this Act and for carrying out its function, the NFDF shall:

- a) Establish a portfolio of investments specifically related to the development of the agriculture and education, health and housing sectors;
- b) Promote entrepreneurship and the expansion of small and medium enterprises;
- c) Enhance development in the field of Science and Technology;
- d) Assist in Infrastructure development; and
- e) Attract foreign investments to enhance economic growth.

**SEC. 13. *Development Strategy of the NFDF.*** – The Board shall, on a yearly basis, develop a rolling five-year plan for nation building and provide written policies, regulations, and guidelines to be complied with in relation to the following matters:

- a) The investment strategy of the projects and portfolios;
- b) Standards for assessing the performance of the projects and portfolios;
- c) Risk assessment for the projects and portfolios;
- d) International best practices for institutional investors; and
- e) Co-investment and joint ventures with other Sovereign Wealth Funds and institutional investors.

The Board must ensure that policies formulated in Sections 11 and 12 of this Act are consistent with the national development objectives of the Philippines.

PART IV

THE PHILIPPINE ECONOMIC AND SOCIAL STABILIZATION FUND



**SEC. 14. *Purpose of the PEESF.*** – The primary objective of the Stabilization Fund is to manage the impact of fluctuations in commodity prices and exports, instability caused by threats to national security and adverse effects of natural calamities. In addition, it is the aim of Stabilization Fund to help support fiscal deficits and contributes to repaying of public debt.

## PART V

### DEPOSITS AND WITHDRAWALS

**SEC. 15. *Deposits into the PIFC.*** – The PIFC shall have:

- a) An initial funding from the National Budget to set up the Corporation and provide for the annual contribution from the national budget;
- b) Any Investment Mandates from GOCCs, other government owned and government controlled funds, or government instrumentalities with investment purposes;
- c) Earnings of investments of the PIFC;
- d) Any and all amounts required by this Act to be deposited into the PIFC; and
- e) An act of Congress may make further provisions for deposits in the PIFC.

SEC. 16. *Deposits into the NFDF and the PESSF.* - The Development and Stabilization Fund shall have:

- a) Initial and subsequent funding appropriated from the annual General Appropriation Act ("GAA") or in such manner as the Congress may determine;
- b) Funding from proceeds of privatizations, fiscal surpluses, levies and taxes resulting from commodity exports;
- c) The Development Fund shall be afforded no less than 50% share from income from mineral and petroleum taxes;
- d) The Stabilization Fund may accept donations and grants from foreign sources for purposes of providing assistance and interventions caused by climate change and disruptions from natural disasters;
- e) Investments, co - investments and joint ventures with SWFs, SDFs, SIFs, Investment Funds, and SPVs; and
- f) An act of Congress may make further provisions for deposits into the Development and Stabilization Funds.

1        **SEC. 17. *Withdrawals from PIFC, SIF, Reserve and Reserve Investment Funds.***

- 2        a) Withdrawals from the Prime Fund shall be made only after five years of  
3        investment activities. Thereafter, only up to a total of fifty percent (50%) of the  
4        PIFC's net new gains may be withdrawn for purposes of contributing to the  
5        National Budget or for such other purposes as approved by the Board but not  
6        inconsistent with the objectives of the PIFC. A high-water mark ("HWM") shall  
7        be employed to define the net new gains. The HWM shall be reset every year  
8        after the audited financial statements have been released by the PIFC.  
9        Withdrawals can only be made after the audit has been finalized for any given  
10       fiscal year. The notice period for any withdrawal is one year or shortened as  
11       determined by the Investment Committee.
- 12       b) The capital of the PIFC shall not be withdrawn of its effect would be to  
13       diminish the PIFC to an amount less than the real value of the Fund at its  
14       inception;
- 15       c) Withdrawals from the PIFC may only be made from the income earned,  
16       interest on, and dividends from investments made by the PIFC and shall not  
17       exceed more than 50% of such income after taking account the costs and  
18       expenses of the Fund;
- 19       d) All withdrawals for purposes of Section 7 (a) shall be deposited directly to the  
20       National Budget;
- 21       e) All withdrawals for purposes of Section 7 (b), (c) shall be deposited directly to  
22       the National Budget;
- 23       f) An act of Congress may make further provision with respect to withdrawals  
24       from the PIFC not inconsistent with this Act.

25       Withdrawals from a SIF shall be in accordance with withdrawal rules agreed to by  
26       the PIFC upon its acceptance.

27       Withdrawals from the Reserve Fund shall be in accordance to the payments  
28       approved by the Board. Net income derived from the investment activities of the Reserve  
29       Investment Fund and an approved share in the net income of the PIFC shall be credited  
30       to the "PIFC Employees' Investment Fund" for providing annual bonuses and incentive  
31       programs to bona fide employees of the Fund and its sub-funds.

32       **SEC. 18. *Withdrawals from the NFDF and PESSF.*** – Withdrawals from the  
33       Development and Stabilization Funds shall be made through the National Budget or as



determined by the Board. Withdrawals from co-investments joint ventures with other Sovereign Wealth Funds and investments funds shall be in accordance with Memorandum of Agreement, MOU's, and Private Placement Memorandum with foreign SWFs, SDFs, SIFs, or any other Investment Funds.

**SEC. 19. *Administrative and Operational Costs.*** – Payments may be made out of the Sovereign Wealth Fund and any of the sub-funds or any or all of the following purposes:

- a) To pay any sum that is payable to fund managers, assets managers, investment managers, investment advisors, custodian or other party contracted by the Board; and
- b) To pay for administrative costs, expenses, taxes, if applicable, obligations or liabilities (including under an indemnity) directly related to the operation of the SWF;
- c) Payments under this Section shall be made in accordance with annual budget determined by the Board.

**PART VI**  
**GOVERNANCE**

**SEC. 20. *Supervisory Council.*** – The Supervisory Council (“Council”) shall provide guidance, advice and counsel to the Board with regards to the objectives and purpose of the Fund under this Act. The Council shall, in discharge of its duties, observe the independence of the Board and the officers of the Fund in relation to the performance of their functions. The Council shall consist of:

- a) The President of the Republic, who shall be the Chairman;
- b) The Director-General of the National Economic Development Authority (NEDA) and the Secretary of the Department of Finance (DOF), who shall be the Vice Chairmen;
- c) The National Treasurer as a member;
- d) The Secretary of the Department of Agriculture as member;
- e) The Secretary of the Department of Budget and Management as member;
- f) The Secretary of the Department of Education as member;
- g) The Secretary of the Department of Interior and Local Government as member;
- h) The Secretary of the Department of Labor and Employment as member;
- i) The Secretary of the Department of Public Works as member;

- h) To confirm that requests for withdrawals from the Fund are consistent with this Act and any other related laws;
- i) To appoint other persons as are necessary to assist the Board in carrying out its functions;
- j) To report to the President, the Council, and Congress; and
- k) To do all things incidental to or conducive to the performance of any of the above functions.

**SEC. 23. *Composition of the Board.*** - The Board shall be composed of the following:

- 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 fund.

**SEC. 24. *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 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 the Board Member, the Chairperson must be at least 55 years of age, a natural born Filipino, have over 5 years of experience in corporate governance, have had been a top-level executive for at least 10 years in a global financial institution, and have a wide exposure to and deep understanding on the mechanics of managing investments in the global markets for at least 15 years.

**SEC. 25. *Appointment of the Chairperson and Board Members.*** - A Nominating Committee consisting of the Director General of NEDA, the National Treasurer, the Secretary of Education, The Secretary of the Department of Trade and Industry, the Chairman of the Securities and Commission, and three (3) representatives from the



1 financial sectors, and two (2) representatives from the agriculture and trade sectors shall  
2 assist in the selection process of the members of the Board.

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

6 **SEC. 26. Duties and Responsibilities of Board Members.** – A Board Member, when  
7 exercising his powers and duties under this Act, shall:

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

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

21 **SEC. 27. Term of Office of the Chairperson and the Board Members.** – The  
22 Chairperson shall serve for a fixed term of seven (7) years. The first four (4) Board  
23 Members shall serve for a fixed term of five (5) years and the other three (3) Board  
24 Members shall serve for a fixed term of three (3) years or until their successors shall have  
25 been qualified and appointed or unless sooner removed for cause. Appointments to  
26 vacant positions shall only be for the unexpired term of the predecessor.

27 The Chairperson may resign, but may remain a Board Member if he or she decides  
28 to do so as long as he or she remains duly qualified to serve as a member of the Board:  
29 *Provided, That the maximum number of Board Members is not exceeded by reason of*  
30 *appointment of a new Chairperson.*

1       Upon resignation of the Chairperson, the Vice Chairperson will take over the  
2 functions of the Chairperson until such time as a new Chairperson is appointed either  
3 from among the remaining members of the Board or outside of the Board, in accordance  
4 with this Act. Any Board Member may, for cause, be suspended or removed by the  
5 President solely on the recommendation of the Council.

6       **SEC. 28. *Quorum and Meetings of the Board.*** – The Board shall meet at least once  
7 every month from the effectivity of this Act, every other month on the second and third  
8 year of operation of the Fund, and at least quarterly thereafter. The Board may hold  
9 special meetings to consider urgent matters upon call of the Chairperson or Vice  
10 Chairperson or upon the initiative of at least five (5) members of the Board.

11       The Chairperson shall preside over all Board meetings. In the absence of the  
12 Chairperson, the Vice Chairperson or any designated member of the Board may preside  
13 during the meetings. All Board Members should be present during the first three  
14 meetings of the first set of Board Members. Thereafter, the quorum shall consist of the  
15 Chairperson and at least four (4) other Board Members. At the meeting of the Board, all  
16 matters shall be decided by the majority of the votes of the members present unless  
17 otherwise specified in this Act. The Chairperson has deliberative vote and, if there is an  
18 equal number of votes on any matter, also a casting vote. All Board meetings shall be held  
19 in the Philippines. Subject to this Act, the procedures of the Board are as determined by  
20 it.

21       **SEC. 29. *Compensation of the Chairperson and Board Members.*** – The  
22 Chairperson and the members of the Board shall be entitled to allowances and/or *per*  
23 *diem* for each meeting actually attended and shall be reimbursed for actual and reasonable  
24 expenses incurred in the performance of their duties. The rates of such allowances or *per*  
25 *diem* and reimbursements shall be fixed by the Chairperson, subject to the approval of the  
26 President. The Chairperson and the members of the Board shall be eligible to annual  
27 bonuses and participation from the PFC Employees Incentive Fund and annual net  
28 income derived from the investment activities of the Reserve Investment Fund. Such  
29 bonuses and incentives shall be formulated and recommended by the Investment  
30 Committee to the President.



PART VII  
EXECUTIVE MANAGEMENT

SEC. 30. *The Executive Management.* - The Executive Management shall be responsible for managing the day-to-day affairs and operations of the Fund. The Executive Management shall consist of a Chief Executive Officer who is appointed by the Board, a Chief Investment Officer, a Chief Operations Officer, a Chief Financial Officer, a Chief Risk Officer, a Chief Technology Officer, and a Head of Compliance and such other officers as are necessary to carry out its functions.

SEC. 31. *The Functions of the Executive Management.* - The functions of the Executive Management shall be as follows:

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

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

SEC. 32. *The Investment Committee.* - The Investment Committee shall be composed of the Chief Executive Officer, the Chief Investment Officer, and the Chief Risk Officer. The Board may increase the composition of the Investment Committee, from time to time, to help ensure that the investment objectives of the Fund are attained in accordance with this Act.

- a) The Chief Executive Officer (CEO) shall:
  - i. Head the Executive Management;
  - ii. Be responsible to the Board for the efficient carrying out of its functions;
  - iii. Act in accordance with the directions of the Board;

- 1           iv.    Appoint such officers of the Executive Management as are necessary to  
2                carry out the functions of the Fund, subject to the authorities granted by  
3                the Board;
- 4           v.    Have at least 12 years of experience and expertise in Corporate  
5                Governance and Administration, in investment and asset management,  
6                and exposure in the global financial markets; and
- 7           vi.   Be a member and Vice Chairperson of the Board.
- 8   b) The Chief Investment Officer (CIO) shall:
- 9           i.    Head the Investment Function;
- 10          ii.   Be responsible to the Board and/or the CEO for the efficient carrying  
11                out of the investment function;
- 12          iii.   Act in accordance with the directions of the Board and the CEO on  
13                managing investment performance;
- 14          iv.   Chair the Investment Committee that will oversee and approve the  
15                inclusion of suitable investments that meet the investment objectives set  
16                by the Board and the CEO;
- 17          v.    Constitute a sub investment advisory committee as needed that may  
18                include voting heads of asset management and risk management; and
- 19          vi.   Have at least ten (10) years of experience in global financial markets and  
20                expertise in managing a diversified portfolio of asset classes.
- 21   c) The Chief Risk Officer (CRO) shall:
- 22          i.    Head the Risk Function;
- 23          ii.   Be responsible to both the CEO and the CIO for efficiently carrying out  
24                the risk function;
- 25          iii.   Act in accordance with directions of the Board and the Investment  
26                Committee;
- 27          iv.   Determine, along with the CIO, the degree of capital preservation and  
28                risk-taking for the investment function platform and portfolio; and
- 29          v.    Have at least five (5) years of experience in global financial markets and  
30                risk management operations.

31           The Board may allow the delegation or outsourcing of some of the functions of the  
32   CIO and the CRO: *Provided*, The CIO and CRO shall retain overall supervision of the  
33   investment and risk functions of the Fund: *Provided, further*, That the outsourcing of any  
34   of the functions of the CIO and CRO may only be undertaken for a specified period as  
35   determined by the Board.



SEC. 33. *The Functions of the Investment Committee.* - The functions of the Investment Committee shall be as follows:

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

## PART VIII

### EXTERNAL MANAGERS, ADMINISTRATOR AND CUSTODIAN

SEC. 34. *Engagement of External Managers.* – The Investment Committee may engage fund managers, asset managers, investment managers, portfolio managers, and investment advisors as the Investment Committee considers necessary to manage the investments of the Fund. The External Managers shall implement the strategies and directions of the Investment Committee in relation to the investments of the Fund.

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

SEC. 35. *Engagement of the Administrator and Custodian.* - The Board shall appoint the Administrator and the Custodian in an open, competitive, and transparent manner. They shall be responsible for the following:

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

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

## PART IX

### AUDIT

SEC. 36. *Compliance with International Financial Reporting Standards.* – In preparing the Fund’s financial statements, the Board shall endeavor to ensure that it complies with international financial reporting standards.

SEC. 37. *Engagement of an Internal Auditor.* – The Board shall appoint an internal auditor, who shall provide written interim financial and management reports as requested by the Board. A copy of each interim report shall be presented to the Secretariat of the Council.



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

The External Auditor shall:

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

**SEC. 39. *Applicability.*** - The responsibilities of the Internal Auditor and External Auditor shall be without prejudice to the power, authority and duty if the Commission on Audit (COA) to examine, audit and settle all accounts, pertaining to the revenues and the use of funds and property owned and held in trust by any government instrumentality, including GOCCs. The Fund shall be subject to the rules and regulations of the Commission on Audit (COA) as provided in the Constitution and existing laws.

## PART X

### REPORTS & RECORDS

SEC. 40. *Interim Reports.* - When required by the Board, interim quarterly or semi-annual reports shall be submitted as soon as practicable detailing the performance of the investments of the Fund.

SEC. 41. *Annual Reports.* -The Board shall, as soon as practicable after the 31<sup>st</sup> December of each year, prepare and furnish to the President, the council, and Congress, an annual report on its operations and the financial statements for that year.

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

SEC. 42. *Records.* – The records of the Fund pertaining to its investment activities will be secured and maintained for no less than ten (10) years or as long as assets and investments of the Fund exist. Access to Corporate records will be either upon approval of the Board or by law. Records of Fund Investment Vehicles shall be maintained and

1 accessible to the regulatory authorities where the foreign assets and investment are  
2 domiciled.

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PART XI  
MISCELLANEOUS

SEC. 43. *Indemnification and Insurance.* - With respect to any actions in which any of the Fund's Board Officer is a party, the Fund shall indemnify and hold harmless such person against any loss, claim, damage, charge, liability or expense, including, without limitation, reasonable attorneys' fees and disbursements which any such indemnitee may incur arising out of their activities or involvement with or on behalf of the Fund, as the case may be: *Provided*, That the indemnitee acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Fund and: *Provided, further*, That the indemnitee's action did not constitute fraud, willful misconduct, bad faith, gross negligence or failure to comply in accordance with this Act or any applicable law.

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

SEC. 44. *Exemption from Taxes, Duties, and Customs Charges.* - The Fund shall be exempt from payment of all taxes in the Philippines of every name and nature - municipal, city, provincial or national and all other properties owned and operated by it and duties on all supplies, materials and equipment imported for and/or by the Fund. However, the Fund may be subject to applicable taxes in the countries in which the Fund invests.

SEC. 45. *Exemption from the Government Procurement Act.* - The Fund's transactions shall be exempt from the provisions of Republic Act No. 9184, otherwise known as the "Government Procurement Act."

SEC. 46. *Exemption from Civil Service Rule, Salary Standardization Act, and Law on Compensation.* - The officers and employees of the Fund shall be exempt from the rules and regulations of the Civil Service Commission. Further, they shall be exempted from the provisions of Republic Act No. 6758, otherwise known as the "Salary Standardization Act," as well as the provisions of Republic Act No. 10149, otherwise



1 known as the "Law on Compensation in Government Fund." The compensation of the  
2 officers and key personnel of the Fund shall be set based on an objective classification  
3 consistent with international standards for compensating investment management  
4 professionals managing global assets, taking into consideration the importance and  
5 responsibilities attached to the respective positions. The compensation structure of the  
6 Fund shall be submitted by the Board to the President for approval.

7       **SEC. 47. *Compliance with Host Countries' Laws and Regulatory Principles.*** – The  
8 Board shall not operate or manage, and the Fund shall not be invested, in a manner that  
9 breaches the laws of any host country. The Fund shall comply with all applicable  
10 regulatory and disclosure requirements in the countries in which it will invest.

11       **SEC. 48. *Implementing Rules and Regulations.*** – Within ninety (90) days from the  
12 effectivity of this Act, the Board, in consultation with the Executive Management, shall  
13 promulgate the necessary rules and regulations for the implementation of this Act.

14       **SEC. 49. *Separability Clause.*** – If any provision of his Act is declared invalid or  
15 unconstitutional, the remaining parts or provisions not affected shall remain valid.

16       **SEC. 50. *Repealing Clause.*** – All acts, executive orders, administrative orders,  
17 proclamations, rules and regulations or parts thereof inconsistent with any of the  
18 provisions of this Act are hereby repealed or modified accordingly.

19       **SEC. 51. *Effectivity.*** – This Act shall take effect fifteen (15) days after its  
20 publication in the Official Gazette or in two (2) newspapers of general circulation.

*Approved,*