

23 JAN 12 P5:48

**SENATE**  
S. No. 1670

RECEIVED BY: 

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Introduced by Senator MARK A. VILLAR

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**AN ACT**  
**ESTABLISHING THE MAHARLIKA INVESTMENT FUND, PROVIDING FOR THE**  
**MANAGEMENT, INVESTMENT, AND USE OF THE PROCEEDS OF THE FUND,**  
**AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

It is the duty of the government to ensure that our country will attain economic transformation, growth, and sustainability. This can be attained by enacting a law that will be a powerful tool for sustaining high-impact infrastructure projects, urban and rural development, agricultural support, and other initiatives that would increase income and economic activity in the Philippines. Thus, this Maharlika Investment Fund bill should be passed for the achievement of the country's economic goals.

Under the proposed measure, the establishment of the Maharlika Investment Fund as well as the management, investment, and use of its proceeds shall adhere to the principles of good governance, transparency, and accountability.

The Fund will be sourced from the investible funds of the Land Bank of the Philippines, Development Bank of the Philippines, National Government (from the declared dividends of the Bangko Sentral ng Pilipinas), and other sources of funds as provided in the bill.

The Maharlika Investment Corporation shall be established to govern and manage the Fund. The Corporation shall act as a vehicle for the purpose of mobilizing and utilizing the Fund for investments in transactions that will enable the Fund to reap optimal returns on investments, while contributing to the overall goal of reinvigorating job creation and poverty reduction.

There shall also be created a Maharlika Investment Fund Joint Congressional Oversight Committee to oversee, monitor, and evaluate the implementation of the proposed measure. All documents of the Fund and the Corporation shall be open, available, and accessible to the public. Graft and corrupt practices shall not be tolerated and those who engage in such acts shall be penalized.

Given the foregoing, the approval of this bill is earnestly sought.

A handwritten signature in black ink, appearing to read 'M. Villar', with a long horizontal flourish extending to the right.

**MARK A. VILLAR**

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**AN ACT**  
**ESTABLISHING THE MAHARLIKA INVESTMENT FUND, PROVIDING FOR THE**  
**MANAGEMENT, INVESTMENT, AND USE OF THE PROCEEDS OF THE FUND,**  
**AND APPROPRIATING FUNDS THEREFOR**

*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 “*Maharlika Investment Fund*  
2 *Act.*”

3 Sec. 2. *Declaration of Policy.* – It is the policy of the State to create jobs,  
4 promote trade and investments foster technological transformation, strengthen  
5 connectivity, expand infrastructure, achieve energy and food security. The State  
6 recognizes the vital role of various investments in financial assets in promoting  
7 economic growth, accelerating job creation, and improving the welfare of Filipinos.  
8 The State acknowledges the need to preserve and optimize the use of government  
9 financial assets, and promote intergenerational management thereof for  
10 macroeconomic stability

11 Towards this end, the State shall establish an independent Maharlika  
12 Investment Fund by investing national funds, and coordinating and strengthening the  
13 investment activities of the country’s top-performing government financial institutions  
14 to promote economic growth and social development.

15 **ARTICLE I**

16 **Definition of Terms**

17 Sec. 3. *Definition of Terms.* – As used in this Act:

- 1 a) *Advisory Body* - refers to the body established under this Act which shall  
2 provide guidance, counsel and advice to the Board of Directors of the  
3 Maharlika Investment Corporation;
- 4 b) *Board of Directors (Board)*- refers to the governing body of the Maharlika  
5 Investment Corporation;
- 6 c) *Founding Government Financial Institutions (Founding GFIs)* - refer to the  
7 Land Bank of the Philippines (LBP) and the Development Bank of the  
8 Philippines (DBP);
- 9 d) *Funding Sources* - refers to the investment required of the Founding GFIs,  
10 the National Government, Philippine Amusement and Gaming Corporation  
11 (PAGCOR), declared dividends of the Bangko Sentral ng Pilipinas (BSP), and  
12 such other sources that may contribute to finance the Maharlika Investment  
13 Fund;
- 14 e) *Independent Director* - refers to a person who is independent of  
15 management and the controlling shareholder, and is free from any business  
16 or other relationship which could, or could reasonably be perceived to,  
17 materially interfere with his exercise of independent judgment in carrying  
18 out his responsibilities as a director;
- 19 f) *Maharlika Investment Fund (MIF or Fund)* - refers to the fund created under  
20 this Act;
- 21 g) *Maharlika Investment Corporation (MIC)* refers to the State investment  
22 body, created under this Act which shall be responsible for the overall  
23 governance and management of the MIF; and
- 24 h) "*Santiago Principles*" - refers to the 24 Generally Accepted Principles and  
25 Practices (GAPP) voluntarily endorsed by the International Forum of  
26 Sovereign Wealth Funds (IFSWF) members. The GAPP for Sovereign Wealth  
27 Funds (SWFs) are designed as guidelines that assign best practices for the  
28 operations of SWFs. They are the rules followed by SWF that promote  
29 stability in the global financial system, set proper controls on investment  
30 risks, and implement sound governance structure.

1 **ARTICLE II**

2 **Maharlika Investment Fund**

3 *Sec. 4. Establishment of the Maharlika Investment Fund.* – There is hereby  
4 created a MIF, an independent fund, that adheres to the principles of good  
5 governance, transparency, and accountability. Initially, the Fund shall be sourced from  
6 the investible funds of select GFIs, from contributions of the National Government  
7 from the declared dividends of the BSP and other sources of funds as provided in this  
8 Act.

9 The Fund shall be used to invest on a strategic and commercial basis in a  
10 manner designed to promote fiscal stability for economic development, and strengthen  
11 the top-performing GFIs through additional investment platforms that will help attain  
12 the National Government’s priority plans.

13 *Sec. 5. Ownership of the Maharlika Investment Fund.* – The legal ownership of  
14 the MIF shall pertain to the Fund investors in proportion to their contributions.

15 *Sec. 6. Objectives of the Maharlika Investment Fund.* – The objectives of MIF  
16 are to promote economic development by making strategic and profitable investments  
17 in key sectors to preserve and enhance long-term value of the Fund, obtain the optimal  
18 absolute return and achievable financial gains on its investments, and to satisfy the  
19 requirements of liquidity, safety/security, and yield in order to ensure profitability. In  
20 pooling the investible funds from the GFIs and channeling them to diversified financial  
21 assets and development projects, the MIC’s activities shall contribute to a prudent and  
22 transparent management of the government resources.

23 **ARTICLE III**

24 **Maharlika Investment Corporation**

25 *Sec. 7. Establishment of the Maharlika Investment Corporation.* – There is  
26 hereby created the MIC, an independent corporate body, that shall act as a vehicle  
27 for the purpose of mobilizing and utilizing the MIF for investments in transactions that  
28 will enable the Fund to reap optimal returns on investments (ROIs), while contributing  
29 to the overall goal of reinvigorating job creation and poverty reduction by steering the  
30 economy back to its high-growth path. The MIC shall govern and manage the Fund in  
31 accordance with the objectives and purposes set forth in this Act, and it shall adhere  
32 to internationally-accepted standards of transparency and accountability. In addition

1 to the Codes of Ethical Standards and Proper Conduct that the Board shall establish,  
2 the Corporation shall abide by the fit and proper rule under the implementing rules  
3 and regulations of Republic Act No. 2629 or the Investment Company Act, Ethical  
4 Standards under the Securities Regulation Code, and Ethical Standards set by the  
5 International Organization of Securities Commissions and other significant  
6 international organizations of investment entities.

7 All transactions of the MIC shall abide by the arm's length principle and the  
8 prudent person rule.

9 The provisions of Republic Act No. 8799 or Securities Regulation Code, Republic  
10 Act No. 8791 or the General Banking Law, Republic Act No. 2629 or the Investment  
11 Company Act, their respective implementing rules and regulations, and other relevant  
12 laws, rules, regulations, and issuances by regulating authorities governing transactions  
13 with and among directors, officers, stockholders and related interests shall apply to  
14 the MIC.

15 *Sec. 8. Place of Business.* – The MIC shall have its principal place of business  
16 in Metro Manila, but may maintain branches, agencies and correspondents in such  
17 other places, within and without the Philippines, as the proper conduct of its business  
18 may require.

19 *Sec. 9. Corporate Powers.* – The MIC is hereby authorized to adopt, alter, and  
20 use a corporate seal which shall be judicially noticed; to enter into contracts; to lease  
21 or own real and personal property, and to sell or otherwise dispose of the same; to  
22 sue and be sued; and otherwise to do and perform any and all things that may be  
23 necessary or proper to carry out the purposes of this Act.

24 The MIC may acquire and hold such assets and incur such liabilities in  
25 connection with its operations authorized by the provisions of this Act, or as are  
26 essential to the proper conduct of such operations.

27 The MIC may compromise or release, in whole or in part, any claim of or  
28 settled liability to the MIC, regardless of the amount involved, under such terms and  
29 conditions as may be prescribed by the Board, upon favorable recommendation of the  
30 Advisory Body, to protect the interests of the MIC and the integrity of the MIF.

31 *Sec. 10. Functions of the Maharlika Investment Corporation.* – In carrying out  
32 its objectives and functions, the MIC shall:

- 1 a) Establish a diversified portfolio of investments in the local and global  
2 financial markets and in other assets that promote the objectives of the  
3 Fund;
- 4 b) Manage and invest the initial and future contributions to the Fund in  
5 accordance with this Act;
- 6 c) Accept and manage investment mandates whose investment purpose is to  
7 increase income for development goals;
- 8 d) Develop and foster skills in finance, economics, risk mitigation, good  
9 governance and other related areas, consistent with the capacity and  
10 capabilities build-up of human resources in the industry; and
- 11 e) Implement international best practices in investing and managing assets in  
12 accordance with the internationally-accepted standards and principles of  
13 transparency and accountability.

14 Sec. 11. *Capitalization and Funding.* – The initial capitalization shall be sourced  
15 as follows:

16 I. LBP - Fifty billion pesos (P50 billion); and

17 II. DBP - Twenty-five billion pesos (P25 billion)

18 Each Founding GFI may increase its investment above the required equity  
19 contribution.

20 The Founding GFIs shall be entitled to prudential and other regulatory reliefs,  
21 as may be determined by the BSP, to promote the financial soundness of these  
22 financial institutions while contributing to the overall objective of the MIF.

23 Investments of contributors may be in the form of marketable or convertible  
24 securities, and other forms, as may be determined by the Board: *Provided*, That  
25 security or debt instruments issued by the MIC to GFIs shall be guaranteed by the  
26 National Government: *Provided, further*, That all other instruments of MIC shall be  
27 subject to laws, rules, and regulations on the contracting of debt and issuance of  
28 guarantees by GFIs. Other GFIs and government-owned or -controlled corporations  
29 (GOCCs) may be authorized to contribute to the MIF, subject to their respective  
30 investment and risk management strategies. Additional funding may likewise be  
31 sourced from investments of private financial institutions and corporations, as may be  
32 determined by the Board.

1 The manner of attribution of equity, such as units of participation, due to  
2 subsequent contributions to the fund shall be determined in the implementing rules  
3 and regulations of this Act.

4 Subsequent annual contributions to the fund shall be provided as follows:

- 5 i. For the first and second fiscal year upon effectivity of this Act, the BSP shall  
6 remit one hundred percent (100%) of its declared dividends, as computed  
7 under R.A. No. 7653, as amended by R.A. No. 11211, to the Fund. In the  
8 succeeding fiscal years, the BSP shall remit fifty percent (50%) of its  
9 declared dividends to the Fund and the remaining fifty percent (50%) to the  
10 National Government to fund the increase in the capitalization of BSP in  
11 accordance with Section 2 of R.A. No. 7653, as amended by R.A. No. 11211,  
12 until the increase in the capitalization of BSP has been fully paid. Thereafter,  
13 the BSP shall remit one hundred percent (100%) of its declared dividends  
14 to the Fund.
- 15 ii. PAGCOR and other government-owned gaming operators shall contribute  
16 at least ten percent (10%) of gross gaming revenue streams created after  
17 the effectivity of this Act;
- 18 iii. Other sources such as royalties and/or special assessments on natural  
19 resources based on the fiscal regime to be implemented by the national  
20 government, proceeds from privatization of government assets, and  
21 borrowings by the MIF.

22 The foregoing annual contributions shall be subject to the automatic review of  
23 the Secretary of Finance every five (5) years, taking into consideration the adequacy  
24 of the Fund in relation to the objectives of this Act, the fiscal condition of the National  
25 Government, the condition of the investing GFIs, GOCCs, and other government  
26 entities in relation to their exposure to the Fund and the overall economic  
27 environment.

28 Under no circumstance shall the GOCCs providing for the social security of  
29 government employees, private sectors, workers and employees, and other sectors  
30 and subsectors, such as but not limited to the Government Service Insurance System,  
31 Social Security System, and Home Development Mutual Fund, be requested or



1 required to contribute to the MIF. To protect the retirement and other social security  
2 benefits of their members, no part of the funds of said GOCCs shall accrue to the MIF.

3 *Sec. 12. Administrative and Operational Expenses of the Maharlika Investment*  
4 *Corporation.* – The Board of the MIC is authorized to disburse from the Fund such  
5 amounts as may be necessary for administrative and operating expenses, the total of  
6 which shall not exceed two percent (2%) of funds managed: *Provided*, That the Board  
7 of Directors shall set annual targets to reduce operating and administrative expenses  
8 as a share of funds managed: *Provided, further*, That the Secretary of Finance may  
9 reduce the allowed expense ratio.

10 For the initial operations of the MIC, the Board of Directors is authorized to  
11 disburse for its administrative and operating expenses at a total amount not exceeding  
12 two percent (2%) of its initial capitalization.

#### 13 **ARTICLE IV**

#### 14 **Investments**

15 *Sec. 13. Allowable Investments.* – Subject to strict compliance with Investment  
16 and Risk Management Guidelines, the Board of Directors of the MIC shall authorize  
17 the following investments:

- 18 a) Cash, foreign currencies, metals, and other tradable commodities;
- 19 b) Fixed income instruments issued by sovereigns, quasi-sovereigns and  
20 supranationals;
- 21 c) Domestic and foreign corporate bonds;
- 22 d) Listed or unlisted equities, whether common, preferred, or hybrids;
- 23 e) Islamic investments, such as Sukuk bonds;
- 24 f) Joint Ventures or Co-Investments;
- 25 g) Mutual and Exchange-traded Funds invested in underlying assets;
- 26 h) Commercial real estate and infrastructure projects;
- 27 i) Loans and guarantees to, or participation into joint ventures or consortiums  
28 with Filipino and foreign investors, whether in the majority or minority  
29 position in commercial, industrial, mining, agricultural, housing, energy, and  
30 other enterprises, which may be necessary or contributory to the economic  
31 development of the country, or important to the public interest; and
- 32 j) Other investments as may be approved by the Board of Directors.

1 Investments in real estate, infrastructure and other development projects,  
2 whether alone or in partnership with other corporate entities shall be limited to  
3 National Economic Development Authority Board - approved major capital projects to  
4 ensure that these are in line with the socio-economic development program of the  
5 government.

6 Subject to the rules and regulations to be promulgated by the MIC Board of  
7 Directors, the advice of the Advisory Body shall be sought by the same Board of  
8 Directors in case of transactions, such as investments and spending that will affect:  
9 (1) the Balance of Payments; and (2) monetary aggregates, like those which impact  
10 domestic liquidity and reserve money.

11 In no case shall the MIC acquire a controlling stake in its investee entities. In  
12 investee entities where the MIC acquires a position, the MIC may participate in  
13 corporate governance and policymaking at the level of the Board of Directors or  
14 Trustees of the investee entity, but shall not be directly or actively involved in its day-  
15 to-day management and operations.

16 Sec. 14. *Prohibited Investments.* – In no case shall the MIC, in whatever  
17 manner or devise, invest in the following:

- 18 (a) Activities and investments related to, and entities with a record of commission  
19 of human rights violations, including but not limited to indigenous peoples,  
20 farmers, fisher folk, and labor;
- 21 (b) Activities and investments related to, and corporations involved in the  
22 production of cluster munitions, nuclear arms, intercontinental ballistic  
23 missiles, and similar technologies and equipment;
- 24 (c) Activities and investments resulting in, corporations with a record of serious  
25 degradation of the environment; and
- 26 (d) Similar activities, investments and corporations.

27 Sec. 15. *Investment Policy.* – The Board of Directors shall formulate written  
28 policies in relation to the following matters:

- 29 (a) Directions on the acceptable balance between risk and return of the overall  
30 portfolio;
- 31 (b) Investment policies, mandates, strategies, and guidelines on financing  
32 infrastructure projects and other investments;

- 1 (c) Risk management for the investments;
- 2 (d) Standards for assessing the investment performance;
- 3 (e) Matters relating to international best practices for institutional investments;
- 4 (f) Matters specific to rules and regulations where investments are domiciled;
- 5 (g) Procedural framework and cooperation among investors, including fund
- 6 commitments, co-investments, voting requirements, exit mechanisms, and
- 7 other matters pertaining to the pooling of funds and the management
- 8 thereof;
- 9 (h) Matters relating to the procedure for assessing, deploying, and liquidating
- 10 investments; and
- 11 (i) All other matters needed to be discussed to guarantee compliance with the
- 12 objectives of the MIF.

13 In the formulation of its investment policies, the Board of Directors shall be

14 guided by the principle that priority must be given to investing in government

15 infrastructure and other developmental projects which would yield the highest return

16 on investment coupled with the developmental impact of lower cost of living and lower

17 cost of basic commodities. The Board of Directors shall ensure that policies formulated

18 are consistent with the objectives of the Fund, and the same shall be subject to periodic

19 review: *Provided, That*, should a particular sub-fund remain unprofitable for a period of

20 three (3) years, said sub-fund shall be closed.

21 *Sec. 16. Limitations and Safeguards on the Maharlika Investment Fund.* - The

22 management of the MIF shall be subject to a set of investment policies, guidelines,

23 and risk management limits and procedures, as approved by the Board of Directors,

24 upon due consideration of the recommendations of the Advisory Body. Investment

25 and risk management strategies of the MIC shall be in line with the policies and

26 objectives hereunder stated to ensure the long-term viability of the Fund.

27 *Sec. 17. Fees and Charges on the Establishment of the Maharlika Investment*

28 *Fund.* – Third party fees and all charges incurred in connection with the establishment

29 and effective management of the MIF, such as custody fees, transaction fees, clearing

30 fees, and management fees payable to external fund managers, shall be charged

31 against the MIF, in accordance with the applicable policies on fund disbursements.

1           Sec. 18. *Withdrawals.* – Subject to the exit mechanism guidelines to be set by  
2 the Board of Directors and concurred to by the Advisory Body, withdrawals from the  
3 Fund shall be made only after at least five (5) years of investment activities. The notice  
4 period for any withdrawal is one (1) year or shortened as determined by the Board  
5 of Directors. The capital of the MIC shall not be withdrawn if its effect would be to  
6 diminish the MIF to an amount less than the real value of the MIF at its inception.

7                                   **ARTICLE V**

8                                   **Governance**

9           Sec. 19. *Board of Directors.* – There shall be 15 members of the Board of  
10 Directors composed as follows:

- 11           (a) The Secretary of Finance shall sit as the chairperson;
- 12           (b) Chief Executive Officer of the MIC;
- 13           (c) President of LBP;
- 14           (d) President of the DBP;
- 15           (e) Six (6) regular members, representing the contributors to the fund, with the  
16           seats distributed in proportion to their corresponding investments; and
- 17           (f) Five (5) Independent Directors from the private sector, the academe,  
18           business sector, and investment sector.

19           The Independent Directors shall be chosen by the Advisory Body. The Advisory  
20 Body shall ensure that the selected members of the Board of Directors are with proven  
21 probity, competence, expertise and experience in finance, economics, investments,  
22 business management, or law, and are highly capable to contribute to the attainment  
23 of the objectives and purposes of the MIF.

24           The regular members of the Board of Directors shall be citizens of the  
25 Philippines, at least 35 years of age, and must be of good moral standing and  
26 reputation, of recognized probity and independence, and have substantial experience  
27 and expertise in any of the following: (i) corporate governance and administration, (ii)  
28 investment in financial assets, or (iii) management of investments in the global and  
29 local markets.

30           The specific guidelines in this Section, including the rules on appointment,  
31 election and termination of membership in the Board of Directors, shall be provided  
32 in the implementing rules and regulations of this Act.

1           Sec. 20. *Powers and Functions of the Board of Directors.* – The primary  
2 function of the Board of Directors is to govern and manage the MIC, its assets, and  
3 investments in accordance with this Act. As the specific functions of the Board of  
4 Directors shall include the following:

- 5           (a) To direct the management and operations, and administration of the MIC;
- 6           (b) To approve and implement the Investment and Risk Management  
7           Guidelines and such other investment policies, guidelines, and parameters  
8           to effectively carry out the purposes of this Act;
- 9           (c) To set minimum criteria and targets for investments;
- 10          (d) To oversee the investment processes which may include asset allocation,  
11          portfolio construction, monitoring, and risk management;
- 12          (e) To approve the issuance of debt and debt-like instruments;
- 13          (f) To develop strategies (short-, medium-, and long-term) appropriate for  
14          investments;
- 15          (g) To regularly meet and consult with the Advisory Body;
- 16          (h) To engage and/or appoint an International Advisory Consultant/Council  
17          whose main responsibility is to advise the Board of Directors on its  
18          development strategy and investment business, equip executives and  
19          management with insights on geopolitical and macro-economic issues,  
20          international financial market conditions, and global investment trends;
- 21          (i) To engage external fund managers and investment advisors, as may be  
22          necessary, to manage the MIF;
- 23          (j) To exclusively determine the organizational structure, staffing pattern, and  
24          number of personnel of the MIC, define their duties and responsibilities, and  
25          fix their compensation and other emoluments, including bonuses and the  
26          performance bonus authorized under Section 28 of this Act, notwithstanding  
27          any provisions of law, rules and regulations, issuances, to the contrary;
- 28          (k) To exclusively prescribe a system for performance standards and evaluation  
29          for officials and employees of MIC;
- 30          (l) To exclusively set the criteria and procedures for termination of employment  
31          of officials and employees for:

- 1           i. Gross violation of the provisions in this Act or investment policies and  
2           guidelines set by the Board of Directors;
- 3           ii. Commission of acts inimical to the MIF or the Republic of the  
4           Philippines, such as any loss suffered by the Fund caused by  
5           negligence, willful misconduct, fraud, or actions in breach of any  
6           Investment Agreement; and/or
- 7           iii. Failure to meet performance standards set by the Board of Directors.
- 8           (m) To appoint key and critical officials and employees as may be necessary to  
9           assist the Board of Directors in carrying out its functions;
- 10          (n) To submit semestral reports on investment performance to the Advisory  
11          Body and to the President of the Republic of the Philippines;
- 12          (o) To review and certify the MIC/MIF financial statements;
- 13          (p) Act as Trustee of the MIF and such other assets as may be assigned to it  
14          and direct how its assets are managed;
- 15          (q) To constitute an audit committee which shall recommend to the Board of  
16          Directors and to shareholders during the annual shareholders' meeting the  
17          engagement of an external auditor and oversee the internal and external  
18          audits mandated under this Act; and
- 19          (r) To perform other functions, duties and responsibilities necessary, related  
20          and incidental to the performance of the above-mentioned powers and  
21          functions.

22          Sec. 21. *Duties and Qualifications of the Chief Executive Officer.* – The Chief  
23          Executive Officer (CEO) shall direct and supervise the operations and internal  
24          administration of the MIC, and shall be charged with the risk management, financial  
25          performance, human resources, accounting and legal affairs of the corporation. Such  
26          powers and duties include:

- 27          (i) Prepare the agenda for the meetings of the Board of Directors and to submit  
28          for the consideration of the Board of Directors the policies and measures  
29          which are necessary to carry out the purposes and provisions of this Act;
- 30          (ii) Execute and administer the policies and measures approved by the Board  
31          of Directors;

1 (iii) Develop the MIC's business prospects by studying economic trends and  
2 revenue opportunities; projects acquisition and expansion prospects; and  
3 oversee financial performance and risk profiles while ensuring that all of  
4 regulatory obligations are met;

5 (iv) Appoint and fix the remunerations and other emoluments of rank and file  
6 employees and other personnel not holding key and critical positions in  
7 accordance with the position and compensation plans approved by the  
8 Board, as well as to impose disciplinary measures upon personnel of the  
9 MIC: *Provided*, That the removal of personnel shall be with the approval of  
10 the Board; and

11 (v) Exercise such other powers as may be vested by the Board.

12 The CEO, in the discharge of its functions, may delegate certain of his  
13 administrative responsibilities to other officers of the MIC.

14 The CEO shall work closely with the executive management and the Board and  
15 must have (i) exceptional experience and expertise in corporate management,  
16 financial planning strategy, strategic planning and vision, market and business  
17 development, budget development; (ii) has at least ten (10) years management  
18 experience, including extensive commercial lending/credit administration experience;  
19 (iii) in-depth understanding of the industry including risk management, compliance,  
20 and regulatory requirements; and (iv) strategic knowledge of cash flow and capital  
21 planning management.

22 *Sec. 22. Duties and Qualifications of the Chief Investment and Operating*  
23 *Officer.* – The Chief Investment and Operating Officer (CIOO) is responsible for regular  
24 administration duties of all investment files, communicating investment strategy and  
25 policies, managing and developing a team of financial analysts and investment  
26 professionals, supervising risk management across portfolios and that sound  
27 investment policies are followed.

28 The CIOO must have a degree in finance or a relevant experience in the field  
29 and has proven expertise in managing a team of financial analysts and investment  
30 professionals.

31 *Sec. 23. Quorum and Meetings of the Board.* – The Board of Directors shall  
32 meet at least once every month from the effectivity of this Act. It may hold special

1 meetings to consider urgent matters upon call of the Chairperson or upon initiative of  
2 at least two (2) members of the Board of Directors.

3 In order to constitute a quorum in board meetings, a majority of the total  
4 membership of the Board of Directors, or at least eight (8) members, shall be present.  
5 The approval by a majority of all members of the Board of Directors, or at least eight  
6 (8) members, shall be required to constitute a decision of the Board of Directors.

7 The Board of Directors shall maintain and preserve a complete record of the  
8 proceedings and deliberations of the Board of Directors, including the tapes and  
9 transcripts of the stenographic notes, either in the original form or in microfilm. The  
10 meetings of the Board of Directors may be conducted through modern technologies  
11 such as teleconferencing and videoconferencing.

12 *Sec. 24. Compensation of the Chairperson and Members of the Board of*  
13 *Directors.* – The Chairperson and the Members of the Board of Directors shall be  
14 entitled to honoraria and/or other reasonable allowances, and/or per diem for each  
15 meeting actually attended, and shall be reimbursed for actual and reasonable  
16 expenses incurred in the performance of their duties and functions. The rate of the  
17 per diem shall be fixed by the Board of Directors. The maximum per diem per Regular  
18 or Special Board meeting actually attended provided to members of the Board of  
19 Directors shall be based on the size of the corporation but not to exceed the maximum  
20 annual amounts as received by members of the Monetary Board of the BSP.

21 The salary of the Independent Directors of the Board of Directors from the  
22 private sector shall be fixed based on the rules set under Section 28 of this Act.

23 *Sec. 25. Risk Management Unit.* – In accordance with the manner provided in  
24 the by-laws of the MIC, the Board of Directors shall organize a Risk Management Unit  
25 composed of five (5) members as follows: one (1) professional with proven  
26 competence and experience in finance, economics, investment, business  
27 management, or law, and must exhibit independence and objectivity; and four (4)  
28 members consisting of two (2) senior executives of the MIC, one (1) independent  
29 director, and one (1) auditor.

30 The Risk Management Unit shall ensure that the MIC is taking the appropriate  
31 measure to achieve a prudent balance between risk and reward in both ongoing and  
32 new business activities, taking careful consideration of risk identification, risk







1 and not for the purposes of its executives, employees, third parties, and other distinct  
2 taxable entities.

3       Sec. 32. *Exemptions from the Government Procurement Reform Act.* –

4 Notwithstanding any law or rules, regulations or other issuances to the contrary, the  
5 procurement or engagement of the professional or technical services needed in the  
6 selection of investments authorized under Section 10 of this Act such as fund  
7 management, investment and analysis and advisory underwriting, securities  
8 brokerage and dealership, capital market and equity research analysis, and other  
9 similar services necessary in the selection of allowable investments under Section 13  
10 of this Act shall be exempted from the provisions of Republic Act No. 9184 or the  
11 Government Procurement Reform Act and its implementing rules and regulations.

12       The competitive selection process and guidelines for the foregoing procurement  
13 or engagement of the professional and technical services shall be approved by the  
14 MIC board.

15       Sec. 33. *Exemption from the Salary Standardization Act.* – The officers and  
16 employees of the MIC shall be exempt from the provisions of Republic Act No. 6758,  
17 otherwise known as the “Salary Standardization Act”, and succeeding laws on salary  
18 standardization.

19       Notwithstanding any law or rules, regulations, or other issuances to the  
20 contrary, the compensation of the officers and key personnel of the MIC shall be set  
21 based on an objective classification consistent with international standards for  
22 compensating investment management professionals managing global assets, taking  
23 into consideration the importance and responsibilities attached to the respective  
24 positions.

25       Sec. 34. *Designation and Secondment.* – For the first five (5) years of its  
26 operations, the MIC Board, upon the recommendation of the CEO, shall authorize GFI  
27 non-executive personnel to the MIC, as may be necessary, subject to existing  
28 guidelines on secondment of the Civil Service Commission.

29       The designation of the respective GFIs’ personnel to the MIC involves the  
30 imposition of additional and/or higher duties to be performed by said personnel for  
31 the MIC which is temporary and can be terminated anytime at the pleasure of the

1 appointing officer/authority. Designated personnel shall continue to receive their  
2 salaries, benefits, and emoluments from their respective offices or agencies.

3 The secondment of the GFIs' personnel to the MIC involves the movement of  
4 said personnel from their mother agencies and offices to the MIC, which is temporary  
5 in nature, which may or may not require the issuance of an appointment, and which  
6 may or may not involve increase in compensation and benefits. Seconded personnel  
7 shall receive, in lieu of their respective compensation from their respective agencies  
8 or offices, the salaries, emoluments and all other benefits which their positions are  
9 entitled to receive from the MIC.

## 10 **ARTICLE VIII**

### 11 **Distribution of Net Profits**

12 *Sec. 35. Distribution of the Net Profits of the Maharlika Investment Fund*  
13 *Corporation.* – In lieu of taxes and dividend remittance to the National Government,  
14 at least twenty five percent (25%) of the net profits of the MIC shall be directly  
15 distributed in the form of poverty and subsistence subsidies to families falling below  
16 the poverty threshold as determined by the Philippine Statistics Authority (PSA),  
17 beginning with the 18.1% of the population, or 19.99 million Filipinos living below the  
18 poverty threshold of about P12,030 per month for a family of five (5), per the 2021  
19 Family Income and Expenditure Survey of the PSA: *Provided*, That the remainder of  
20 the net profits shall be remitted to the National Government, to be earmarked for  
21 social welfare programs and projects, excluding infrastructure projects: *Provided*,  
22 *further*, That the share of the net profits remitted to the National Government shall  
23 not exceed the proportion of investments to the total fund attributable to the National  
24 Government.

25 *Sec. 36. Computation of Profits and Losses of the MIC.* – The profits and losses  
26 of the MIC shall be recognized in its books. The recognition of profits and losses of  
27 the MIC shall be attributable to the GFIs and investors which shall be subject to their  
28 respective accounting and auditing procedures.

## 29 **ARTICLE IX**

### 30 **Financial Reporting Framework and Audit of Records**

31 *Sec. 37. Financial Reporting Framework.* – The financial statements and reports  
32 shall be prepared, upon the advice of the Advisory Body, in accordance with pertinent

1 provisions of this Act and its implementing rules and regulations, and International  
2 Financial Reporting Standards and principles.

3       Sec. 38. *Engagement of an Internal Auditor.* – The Board shall appoint an  
4 internal auditor, who shall provide written interim financial and management reports  
5 as requested by the Advisory Body. The internal auditor shall be independent from the  
6 management of the MIC and shall be under the direct control and supervision of the  
7 Board of Directors. The CEO shall ensure that the internal auditor, including the staff,  
8 shall have access to all documents and information pertinent to the audit.

9       Sec. 39. *Engagement of an External Auditor.* – The Board of Directors shall  
10 engage, for each accounting period or as soon as practicable after the commencement  
11 of the relevant accounting period, an internationally recognized auditing firm to be the  
12 External Auditor of the Fund and to audit its financial statements.

13       The External Auditor shall:

14           (a) Be engaged annually;

15           (b) Be eligible for re-engagement; and

16           (c) Hold office on such terms and conditions as are determined by the Board  
17           of Directors.

18       Sec. 40. *Audit by the Commission on Audit.* – The books and accounts of the  
19 MIC shall be subject to the examination and audit of the Commission on Audit (COA)  
20 pursuant to Article IX of the 1987 Philippine Constitution. All financial transactions  
21 shall be governed by the applicable government laws, rules, and regulations. The COA  
22 shall prescribe the guidelines of the audit of the MIC and the Fund under its  
23 management in accordance with international best practices. In defining the scope of  
24 its audit, the COA shall coordinate with the External Auditor as provided under Section  
25 37 of this Act.

26       Sec. 41. *Disposal of Assets.* – Notwithstanding any law, rules, regulations, or  
27 other issuances to the contrary, the disposal by MIC, pursuant to its mandate and  
28 functions, of shares, securities, and other interests and investments, shall not be  
29 covered by existing laws and regulations on disposal of government assets. The  
30 aforementioned financial assets shall be considered as forming part of MIC's inventory  
31 of assets held in the regular course of its business activities.

1 **ARTICLE X**

2 **Reports and Records**

3 Sec. 42. *Oversight Committee.* – There shall be created a Maharlika Investment  
4 Fund Joint Congressional Oversight Committee (MIF-JCOC) to oversee, monitor, and  
5 evaluate the implementation of this Act. The MIF-JCOC shall be composed of five (5)  
6 members each from the House of Representatives and the Senate. The MIF-JCOC shall  
7 be co-chaired by the Chairpersons of the House Committee on Banks and Financial  
8 Intermediaries and the Senate Committee on Banks, Financial Institution and  
9 Currencies.

10 The Speaker and Senate President shall designate the other four (4) members  
11 of the MIF-JCOC of the House and the Senate from among the members on the House  
12 Committee on Banks and Financial Intermediaries and the Senate Committee on  
13 Banks, Financial Institution and Currencies, at least one member of which shall be  
14 from the minority.

15 Sec. 43. *Right to Freedom of Information of the Public.* – All documents of the  
16 MIF and the MIC, shall be open, available, accessible to the public, including but not  
17 limited to:

- 18 (a) All investments thereof, whether planned or under negotiation by the MIC  
19 and on the portfolio of the MIF;  
20 (b) The statements of assets and liabilities (SALNs) of the members and officials  
21 of the Board of Directors, Risk Management Unit, and Advisory Board;  
22 (c) The SALNs of those who appointed and designated the said members and  
23 officials;  
24 (d) Audit documents from the internal auditor, external auditor, and the COA;  
25 and  
26 (e) Similar documents and information.

27 Sec. 44. *Provision for Access Rights and Retention Period of Records.* – The  
28 records on the MIC pertaining to its investment activities shall be secured and  
29 maintained pursuant to the rules of the National Archives of the Philippines. The  
30 disclosure rules under Republic Act No. 8799 or the Securities Regulation Code,  
31 Republic Act No. 11232, or the Revised Corporation Code, and other relevant laws,

1 rules, and regulations shall apply to the MIC. The MIC shall be covered by Executive  
2 Order No. 2, s. 2016.

3 *Sec. 45. Reports of Government Financial Institutions to stakeholders.* –  
4 Government financial institutions with investments in the MIC shall include the  
5 performance of their investments, a risk assessment of their exposure and strategies  
6 to manage such risks, and other relevant information in their annual reports.

7 *Sec. 46. Compliance with Santiago Principles.* – The audits required under this  
8 article shall include an assessment of the implementation of the Santiago Principles  
9 and recommendations to improve compliance with such principles.

## 10 **ARTICLE XI**

### 11 **Offenses and Penalties**

12 *Sec. 47. Violation of Disqualification Provision; Penalties.* – When, despite the  
13 knowledge of the existence of a ground for disqualifications as provided in Section 19  
14 and Section 22 of this Act, a director or officer willfully holds office, or willfully conceals  
15 such disqualification, such director, trustee or officer shall be punished with a fine  
16 ranging from ten thousand pesos (P10,000.00) to two hundred thousand pesos  
17 (P200,000.00) at the discretion of the court, and shall be permanently disqualified  
18 from being a director or officer of the Board of Directors. When the violation of this  
19 provision is injurious or detrimental to the public, the penalty shall be a fine ranging  
20 from twenty thousand pesos (P20,000.00) to four hundred thousand pesos  
21 (P400,000.00).

22 *Sec. 48. Internal Auditor Collusion; Penalties.* – An independent internal auditor  
23 who, in collusion with the corporation's directors or representatives, certifies the  
24 corporation's financial statements despite its incompleteness or inaccuracy, its failure  
25 to give a fair and accurate presentation of the corporation's condition, or despite  
26 containing false or misleading statements, shall be punished with a fine ranging from  
27 eighty thousand pesos (P80,000.00) to five hundred thousand pesos (P500,000.00).  
28 When the statement or report certified is fraudulent, or had the effect of causing injury  
29 to the general public, the auditor or responsible officer may be punished with a fine  
30 ranging from one hundred thousand pesos (P100,000.00) to six hundred thousand  
31 pesos (P600,000.00).

1            *Sec. 49. Acting as Intermediaries for Graft and Corrupt Practices; Penalties. –*

2 A corporation used for fraud, or for committing or concealing graft and corrupt  
3 practices as defined under pertinent statutes, shall be liable for a fine ranging from one  
4 hundred thousand pesos (P100,000.00) to five million pesos (P5,000,000.00).

5            When there is a finding that any of its directors, officers, employees, agents,  
6 or representatives are engaged in graft and corrupt practices, the Board of Director's  
7 failure to install: (a) safeguards for the transparent and lawful delivery of services;  
8 and (b) policies, code of ethics, and procedures against graft and corruption shall be  
9 *prima facie* evidence of corporate liability under this section.

10           *Sec. 50. Engaging Intermediaries for Graft and Corrupt Practices; Penalties. –*

11 A corporation that appoints an intermediary who engages in graft and corrupt  
12 practices for the corporation's benefit or interest shall be punished with a fine ranging  
13 from one hundred thousand pesos (P100,000.00) to one million pesos  
14 (P1,000,000.00).

15           *Sec. 51. Tolerating Graft and Corrupt Practices; Penalties. –* A director, or officer

16 who knowingly fails to sanction, report, or file the appropriate action with proper  
17 agencies, allows or tolerates graft and corrupt practices or fraudulent acts committed  
18 by a board's directors, officers, or employees shall be punished with a fine ranging  
19 from five hundred thousand pesos (P500,000.00) to one million pesos  
20 (P1,000,000.00).

21           *Sec. 52. Retaliation Against Whistleblowers. –* A whistleblower refers to any

22 person who provides truthful information relating to the commission or possible  
23 commission of any offense or violation under this code. Any person who, knowingly  
24 and with intent to retaliate, commits acts detrimental to a whistleblower such as  
25 interfering with the lawful employment or livelihood of the whistleblower, shall, at the  
26 discretion of the court, be punished with a fine ranging from one hundred thousand  
27 pesos (P100,000.00) to one million pesos (P1,000,000.00).

28           *Sec. 53. Other Violations of the Act; Separate Liability. –* Violations of any of

29 the other provisions of this Act or its amendments not otherwise specifically penalized  
30 therein shall be imprisonment of not less than six (6) years, but not more than twenty  
31 (20) years, and by a fine of not less than million pesos to three million pesos



