

ANNEXES



Determining If Your Expenses Are Justifiable

The method of doing the income tax return in reverse is borrowed, with permission from the Personal Finance Advisers Philippines Corporation. It helps determine how much you should be making to fund your lifestyle and pay the attendant taxes on your income. While OFWs are exempt from income taxes, it is best to pretend that they are paying taxes as OFWs as they may not work abroad forever.

The steps are as follows⁹:

1. Estimate your total annual living expenses, including debt payments for a year. If you cannot compute your annual expenses, determine your monthly expenses and multiply them by 12 months. If you can only remember your daily expenses then multiply them by 365 days. Please give allowance for unusual or infrequent expenses like Christmas spending and tuition fees. Include what you think is the amount of annual savings you will need to set aside to fund your future goals.
2. Determine your personal and additional exemptions¹⁰
3. Deduct the total exemptions from your total expenses and label the answer “X”
4. Locate in Table 1 below the bracket within which your “X” falls.

⁹ Please note that doing the income tax return in reverse gives an estimate only of the needed income to pay for income taxes and your lifestyle and does not include mandatory deductions for Philhealth, Pag-ibig, SSS and GSIS contributions. Also, OFWs who are not taxed on their income can simply compare their monthly expenses to their monthly net income to see if they are living within their means.

¹⁰ An individual taxpayer, whether single or married, is allowed a basic personal exemption of Php50,000. For married individuals where only one of the spouses earns a gross income, only the earning spouse will be given the personal exemption. A single or married individual will be given an additional exemption of Php25,000 per qualified dependent child and for a maximum of only 4 qualified dependents. A dependent child is a legitimate, illegitimate or legally adopted child largely dependent on and living with the taxpayer provided that the dependent is not more than 21 years old, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect. Please refer to the Tax Code for more details on this discussion.

Table 1¹¹		
"X"	Divisor	Lump Sum
<= Php10 000	0.95	<i>Php 0</i>
Php 10,001 to Php 30,000	0.90	<i>Php 500</i>
Php 30,001 to Php 70,000	0.85	<i>Php 2,000</i>
Php 70,001 to Php 140,000	0.80	<i>Php 5,500</i>
Php 140,001 to Php 250,000	0.75	<i>Php 12,500</i>
Php 250,001 to Php 500,000	0.70	<i>Php 25,000</i>
<i>over Php 500,000</i>	<i>0.68</i>	<i>Php 35,000</i>

5. Deduct from your "X" the lump sum amount found in the same row as the bracket that "X" falls into.
6. Divide the result in number 5 by the divisor found in the same row that your "X" falls into.
7. Add back to your answer in number 6 your total exemptions to arrive at the amount of gross household income that you and your spouse should be earning in a year.

If your needed gross annual household income as computed is higher than your actual annual income, then you should begin questioning your expenses, starting with your "may spend". "May spends" should be easier to cut or even take out altogether. Again, if you do not know your annual income, just get your monthly income and multiply it by 13 months or get your daily income and multiply it by 395 days. The additional one month or 30 days is to account for the legally mandated 13 month pay. If your guaranteed annual income is equivalent to more than 13 months or 395 days, please use the appropriate number of guaranteed months or days.

If a re-computation of your needed gross annual household income, after minimizing or zeroing out the may spend, still yields an amount that is higher than your actual income, then you should examine closely if what you consider as "must spends" are really such. This practice of reviewing and hopefully controlling expenses will pave the way for savings.

¹¹ The table was derived by the Personal Finance Advisers Philippines Corporation.

Regulatory Issuance No. 2011-01

TO : All Member Banks
SUBJECT : Unsafe and/or Unsound Banking Practices

Pursuant to its authority to prescribe and issue rules and regulations under Section 2(d)(1) of Republic Act No. 3591 (the PDIC Charter), as amended, the PDIC Board of Directors, by virtue of Resolution No. 2010-12-159 dated 15 December 2010, hereby promulgates the following rules and regulations on unsafe and/or unsound banking practices in relation to Sections 4(f)(3), 7(a), 8(8), and 21(f)(10) of the PDIC Charter.

I. Statement of Policy

The State, through the PDIC, safeguards the interests of the depositing public by ensuring the safety and soundness of banking institutions. To protect the country's banking system and the depositing public, the PDIC shall regulate banking practices, acts, or omissions, which are likely to have adverse effects on the condition of banks, prejudice the interests of the depositing public or the Deposit Insurance Fund, or which are likely to result in violations of any law, rule, or regulation.

II. Unsafe and/or Unsound Banking Practices

The PDIC hereby adopts the general principles and guidelines in *Bangko Sentral ng Pilipinas* (BSP) Circular No. 341 (series of 2002), as amended by BSP Circular No. 640 (series of 2009), relating to the determination of activities that may be considered unsafe and/or unsound banking practices.

III. Principles in the Determination of Unsafe and/or Unsound Deposit-Related Practices

In addition to the banking practices the PDIC may deem unsafe and/or unsound under Section II hereof, the PDIC shall deem a deposit-related practice, activity, transaction, or omission committed or being committed by banks or its directors, officers and employees or agents to be an unsafe

and/or unsound banking practice when it has resulted or may result in:

1. Unreasonable delay in the processing or determination of the validity of deposit claims in the event of bank closure; or
2. Material loss or damage or abnormal risk to the bank's depositors, creditors, shareholders, or to the PDIC; or
3. Material loss or damage or abnormal risk or danger to the safety, stability, liquidity, or solvency of the bank.

IV. Unsafe and/or Unsound Deposit-Related Practices

The following may be considered unsafe and/or unsound deposit-related practices:

1. Performance of any deposit-related practice, activity, or transaction without the requisite approvals or without adequate controls, as mandated by existing laws, rules, and regulations, which may result to unaccounted, undocumented and/or unrecorded deposits.
2. Failure to keep bank records (printed and/or electronic) within the bank premises especially deposit documents such as, but not limited to, signature cards, depositor information files, and deposit ledgers.

For purposes of this section, "premises" shall refer to places where a bank has a legal right to stay or occupy to conduct its operations and/or keep its records. It includes, but is not limited to, lands and buildings, warehouses, storerooms, online storage, and offsite or backup sites owned or leased by a bank. For those not owned by the bank, it must be covered by a contract showing the bank's legal right to stay or occupy therein.

3. Granting high interest rates when the bank has: (i) negative unimpaired capital and (ii) either a liquid assets-to-deposits ratio of less than 10% or an operating loss.

A bank is deemed offering high interest rates on deposits if the interest rate is over 50% of the prevailing comparable market median rate for similar bank categories. Liquid assets refer to the sum of Cash, Due from BSP/Banks and Financial Assets, net of allowance for credit losses.

4. Non-compliance with PDIC Regulatory Issuances.
5. Other deposit-related practices, activities, and transactions which the PDIC may identify through appropriate issuances.

Attached for guidance is a list of specific activities which the PDIC may consider to be unsafe and/or unsound banking practices (Annex A). The PDIC may hereafter consider other acts or omissions as unsafe and/or unsound pursuant to the general principles and guidelines in this Regulatory Issuance.

V. Consequences of Unsafe and/or Unsound Practices

The commission of unsafe and/or unsound practices as defined in this Regulatory Issuance may have these consequences:

1. Deposit accounts and all information related thereto may be inquired into or examined by PDIC upon the finding of unsafe and/or unsound banking practices, notwithstanding any provisions of law to the contrary. (Section 8, 8th par., PDIC Charter)
2. The PDIC Board of Directors may issue a cease and desist order, and require the bank or its directors or agents concerned to desist and/or correct the practices or violations. (Section 7, PDIC Charter)
3. Deposit insurance on deposit accounts or transactions constituting, and/or emanating from, unsafe and/or unsound banking practice/s as determined by the PDIC Board shall not be paid, after due notice and hearing, and publication of a directive to cease and desist from engaging in the cited unsafe and/or unsound practice/s. (Section 4 (f), PDIC Charter)

The foregoing shall be without prejudice to the criminal, civil, and administrative actions that may be instituted against, or fines imposed upon, the bank and its responsible directors, officers, employees, or agents, pursuant to the provisions of the PDIC Charter, PDIC Regulatory Issuances, and other pertinent laws.

VI. Separability Clause

Sections of this Regulatory Issuance shall be deemed severable, and should any section, subsection, paragraph, sentence, or phrase of this Issuance be declared by a court of competent jurisdiction to be invalid, unenforceable, or unconstitutional, such decision shall not affect the validity of the Issuance as a whole, or any part thereof, other than the part so declared to be invalid, unenforceable, or unconstitutional.

VII. Effectivity

This Regulatory Issuance shall take effect fifteen (15) days after publication in the Official Gazette or in any newspaper of general circulation.

For strict compliance.

JOSE C. NOGRALES

President

ANNEX A: Deposit-Related Activities Which May Be Considered Unsafe and/or Unsound Banking Practices

The activities enumerated herein are considered only as guidelines and are not conclusively presumed to be unsafe and/or unsound. Similarly, not all practices, which may be considered as unsafe and/or unsound, are mentioned in the list. In all cases, the PDIC shall give due consideration to the circumstances of each case vis-à-vis the general principles and guidelines set forth in the Regulatory Issuance.

1. Solicitation and acceptance of deposits outside bank premises, including branches, without BSP authority as required under “Servicing Deposits Outside Bank Premises” in the Manual of Regulations for Banks (MORB).
2. Solicitation and acceptance of deposits outside bank premises, including branches, as authorized by the BSP but without complying with the minimum safeguards set forth under “Servicing Deposits Outside Bank Premises” or “Electronic Banking Services and Operations” of the MORB.
3. Non-compliance with the minimum identification and documentation requirements for depositors for opening of deposit accounts as set forth under Rule 9.1.c and 9.1.d of the Revised Implementing Rules and Regulations of R.A. 9160, as amended by R.A. 9194.
4. Failure to keep bank records (printed and/or electronic) within the bank premises especially deposit documents such as, but not limited to, signature cards, depositor information files, and deposit ledger.
5. Recording deposits or withdrawals without legitimate supporting documents.
6. Offering and accepting high cost deposits despite the Cease and Desist Order issued by the Monetary Board.
7. Granting high interest rates when the bank has (i) negative unimpaired capital and (ii) either a liquid assets-to-deposits ratio of less than 10% or an operating loss.

8. Allowing depositors to deposit directly into the bank's deposit account/s with other banks without implementing controls.
9. Allowing unauthorized bank personnel and non-bank personnel to handle deposit transactions.
10. Failure to reconcile inter-branch deposit transactions or deposit float items within 7 banking days.
11. Allowing depositors to deposit, withdraw, and/or transfer funds without proper documentation such as a duly accomplished deposit or withdrawal slip or debit/credit memo, or its equivalent.
12. Making, use or issuance of bank advertisements, marketing proposals or strategies, and other similar statements or issuances, which directly or indirectly offer, promise, represent, or promote: (a) a separate and distinct PDIC deposit insurance cover for deposit accounts maintained in the same right and capacity of a depositor, either in his own name or in the name of others who have no beneficial ownership over the account/s; or (b) deposit insurance coverage that is inconsistent with and otherwise violative of the laws, rules and regulations and/or policies on beneficial ownership and deposit splitting.
13. Failure to adopt a Board-approved Operations Manual (OM) on Deposit Record Keeping and/or submission of an inadequate OM that does not reflect deposit practices.
14. Allowing bank employees to process their own deposit transactions including those of their relatives up to fourth degree of consanguinity or affinity.

BSP Circular No. 640

*(Activities Which May Be Considered Unsafe
and Unsound Banking Practices)*

Pursuant to Monetary Board Resolution No. 1723 dated 23 December 2008, Annex A (List of Activities Which May Be Considered Unsafe and Unsound Banking Practices) of Circular No. 341 dated 6 August 2002 is hereby amended as follows:

Section 1. The opening paragraph and Items c and g of Annex A of Circular No. 341 are hereby amended to read as follows:

“The activities enumerated herein are considered only as guidelines and are not irrebutably presumed to be unsafe or unsound. Conversely, not all practices which might under the circumstances be termed unsafe or unsound are mentioned here. The Monetary Board may NOW AND THEN consider any other acts/omissions as unsafe or unsound practices.”

- “c. Operating in a way that produces a deficit in net operating income WITHOUT ADEQUATE MEASURES TO ENSURE A SURPLUS IN NET OPERATING INCOME IN THE FUTURE.”

X X X

- “g. Excessive reliance on large, high-COST or volatile deposits/ borrowings TO FUND AGGRESSIVE GROWTH THAT MAY BE UNSUSTAINABLE. FOR THIS PURPOSE, A BANK IS CONSIDERED OFFERING HIGH-COST DEPOSITS/BORROWINGS IF THE EFFECTIVE INTEREST RATE PAID ON SAID DEPOSITS/ BORROWINGS AND/OR NON-CASH INCENTIVES IS 50% OVER THE PREVAILING COMPARABLE MARKET MEDIAN RATE FOR SIMILAR BANK CATEGORIES, MATURITIES AND CURRENCY DENOMINATION AND ACCOMPANIED BY OTHER CIRCUMSTANCE/S SUCH AS:

“12. HIGH INCIDENCE OF SPURIOUS AND FRAUDULENT LOANS DUE TO PATENTLY INADEQUATE RISK MANAGEMENT SYSTEMS AND PROCEDURES RESULTING IN SIGNIFICANT IMPAIRMENT OF CAPITAL;

“13. BANK’S NICHE MOSTLY CONSISTS OF BORROWERS WHO HAVE

IMPAIRED OR LIMITED CREDIT HISTORY, OR MAJORITY OF THE LOANS ARE EITHER CLEAN/UNSECURED OR BACKED WITH MINIMUM COLLATERAL VALUES EXCEPT THOSE UNDERWRITTEN USING MICROFINANCE TECHNOLOGY CONSISTENT WITH CIRCULAR NO. 272 DATED 30 JANUARY 2001 AND OTHER ACCEPTABLE CASH FLOW-BASED LENDING SYSTEMS; AND THE BANK DOES NOT HAVE A ROBUST RISK MANAGEMENT SYSTEM IN PLACE LEAVING THE BANK VULNERABLE TO LOSSES;

- “14. LOAN RATES ARE EXCESSIVELY HIGHER THAN MARKET RATES TO COMPENSATE THE ADDED OR HIGHER RISKS INVOLVED. EXCESSIVELY HIGHER RATES ARE THOSE CHARACTERIZED BY EFFECTIVE INTEREST RATES THAT ARE 50% OVER THE PREVAILING COMPARABLE MARKET MEDIAN RATE FOR SIMILAR LOAN TYPES, MATURITIES AND COLLATERALS;
- “15. ASSIGNMENT OF LOANS ON WITHOUT RECOURSE BASIS WITH REAL ESTATE PROPERTIES AS PAYMENT, RESULTING IN TOTAL INVESTMENT IN REAL ESTATE IN EXCESS OF THE PRESCRIBED CEILING.

Section 3. Item s and u of Annex A of Circular No. 341 are hereby amended to read as follows:

- “s. Failure to heed warnings and admonitions of the supervisory AND REGULATORY authorities.

x x x

- “u. Any OTHER action likely to cause insolvency or substantial dissipation of assets or earnings of the institution or likely to seriously weaken its condition or otherwise seriously prejudice the interest of its depositors/investors/clients.”

Sample Claim Form (Page 1)

	PHILIPPINE DEPOSIT INSURANCE CORPORATION SSS Bldg, Ayala Ave. Cor. V.A. Rufino St., 1226 Makati City, Philippines Telephone No. 841-4630 to 31	CLAIM FORM		
Name of Bank: _____ Branch: _____		<i>For PDIC Use Only</i> Bank Code: _____ Date: _____ Claim No.: _____		
Personal Information (PRINT legibly)				
Name of Depositor / Claimant: _____				
First Name	Middle Name	Last Name		
Complete Mailing Address (Do not abbreviate):				
House No.	Street	Barangay		
Town / City	Province	Zip Code		
Date of Birth: <i>(mm/dd/yyyy)</i>	Home Phone:	_____		
TIN :	Mobile Phone:	_____		
GSIS/SSS No.:	Email Address:	_____		
Spouse's Name: _____		Date of Birth: <i>(mm/dd/yyyy)</i>		
First Name	Middle Name	Last Name		
Mother's Maiden Name: _____		Date of Birth: <i>(mm/dd/yyyy)</i>		
First Name	Middle Name	Last Name		
Account Information				
#	Account Type*	Account Number	Co-Depositor's Name	Co-Depositor's Name
1			First Name Middle Name Last Name	First Name Middle Name Last Name
2			First Name Middle Name Last Name	First Name Middle Name Last Name
3			First Name Middle Name Last Name	First Name Middle Name Last Name
<small>*Account Type Legend: SA – Savings Account; CA – Current Account; SSA – Special Savings Account; CTD – Certificate of Time Deposit.</small>				
<input type="checkbox"/> I certify that I am indebted/obligated to the bank either as principal borrower, co-principal, co-maker, or as guarantor or surety for any debt, or I have money or property accountability to the bank.				
<input type="checkbox"/> I certify that I am not indebted/obligated to the bank either as principal borrower, co-principal or co-maker, neither am I guarantor nor surety for any debt, nor do I have money or property accountability to the bank.				
I, the undersigned, solemnly swear that I am the owner/co-owner of the abovementioned account/s and I am holding myself liable to any person, natural or juridical, that may be prejudiced by my representations, in addition to other liabilities, civil or criminal, that may arise therefrom. I further release and discharge PDIC from any and all obligations in connection with this claim.				
Under pain of perjury and other applicable penalties, I hereby certify to the truth and accuracy of the statements I made above and any and all information and documents I may or have provided to PDIC.				
I hereby authorize PDIC to verify or confirm with appropriate issuing agency/agencies the authenticity of any and all documents submitted.				
I further agree to receive from PDIC the payment of insured deposit with the closed _____, which in no case exceeds the Maximum Deposit Insurance Coverage (MDIC) in accordance with R.A. 3591, as amended. If discovered later that PDIC made any undue payment or overpayment on my insured deposit with the bank due to any of my representation/s or declaration/s, I undertake to refund the undue payment received or amount of overpayment and indemnify PDIC and/or the bank for any loss or damage.				
			_____ Signature of Depositor/Claimant over Printed Name	
SUBSCRIBED AND SWORN TO before me in _____, this ____ day of _____, by affiant who has satisfactorily proven his/her identity through his/her _____ issued on _____ in _____.				
			_____ Notary Public/ Claim Examiner	
<small>-For PDIC Use Only-</small>				
Signature Verified Against:				
<input type="checkbox"/> Signature Card	<input type="checkbox"/> Subsidiary Ledger	<input type="checkbox"/> Valid ID: ID #1		
<input type="checkbox"/> Duplicate CTD	<input type="checkbox"/> Affidavits	#2		
<input type="checkbox"/> Others _____			_____ Claim Examiner	
			_____ Date:	

Sample Claim Form (Page 2)

INSTRUCTIONS IN FILING A CLAIM WITH PDIC

Requirements:

1. **PDIC Claim Form**
Fill out all entries in the Claim Form (avoid abbreviation of address). Please ensure that the depositor/claimant signs on the blank provided for "Signature of Depositor/Claimant over Printed Name" with his/her signature as appearing in bank records and IDs to be submitted to PDIC.
2. **Original Evidence of Deposit**
 - Passbook for Savings Account
 - Certificate of Time Deposit
 - Latest bank statement and unused checks for current/checking account
 - ATM Card
3. **Original and enlarged photocopy of two (2) valid photo-bearing IDs with clear signature of depositor/claimant such as Driver's License, SSS/GSIS ID, Senior Citizen's ID, Passport, PRC ID, OWWA/OFW ID, Seaman's ID, ACR ID, Voter's ID, IBP.** Please ensure that the ID number is clear and legible.
4. **Original copy and photocopy of the Birth Certificate from NSO or duly certified copy from the local civil registrar, for depositors below eighteen (18) years old.**

Options on how to file your Claim:

- Submit personally to the PDIC representative assigned at the closed bank, a designated site, or at the 4th Flr., SSS Bldg., Ayala Avenue corner V.A. Rufino St., Makati City, or
- Through mail at: Claims Processing Department
Philippine Deposit Insurance Corporation
4th Floor, SSS Building
6782 Ayala Ave., cor. V.A. Rufino St.
1226 Makati City, Phils.

Upon evaluation of your claim and documents submitted, other requirements may be requested by PDIC to complete the processing of your claim.

GABAY SA PAGPA-FILE NG CLAIM SA PDIC

Mga Kailangan:

1. **PDIC Claim Form**
Punan ang lahat ng "Entries" sa Claim Form. Tiyaking pirmado ng depositor/claimant ang patlang na "Signature of Depositor/Claimant over Printed Name". Siguraduhin ding ang pirma ay katulad ng pirma sa bangko at mga isusumiteng ID sa PDIC.
2. **Orihinal na katibayan ng deposito:**
 - *Passbook para sa Savings Account*
 - *Certificate of Time Deposit*
 - *Pinakahuling bank statement at mga di-nagamit na tseke para sa Current/Checking Account*
 - *ATM Card*
3. **Orihinal at pinalaking kopya ng dalawang (2) valid IDs na may litrato at malinaw na pirma ng depositor o ng kanyang kinatawan, tulad ng Driver's License, SSS/GSIS ID, Senior Citizen's ID, Passport, PRC ID, OWWA/OFW ID, Seaman's ID, ACR ID, Voter's ID, IBP.** *Siguraduhin na malinaw ang ID number.*
4. **Orihinal at photocopy ng Birth Certificate na galing sa NSO o kopya na duly certified ng local civil registrar, para sa mga depositors na below eighteen (18) years old.**

Mga Pamamaraan Kung Paano o Saan Ipa-file ang Claim:

- *Ibigay sa mga kinatawan ng PDIC na nakatalaga sa nagsarang bangko, itinalagang lugar o sa opisina ng PDIC sa 4th Flr., SSS Bldg., Ayala Avenue corner V.A. Rufino St., Makati City;*
- *Ipadala sa koreo sa: Claims Processing Department
Philippine Deposit Insurance Corporation
4th Floor, SSS Building
6782 Ayala Ave., cor. V.A. Rufino St.
1226 Makati City, Phils.*

Matapos ang pagsusuri ng inyong claim at ng mga dokumento na isinumite, maaring humingi ang PDIC ng karagdagang dokumento o iba pang "requirements" para makumpleto ang pagproseso ng inyong claim.

Sample Special Power of Attorney

SPECIAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

- I, _____, by these presents do hereby depose and state that I am:
1. Of legal age, single/married and a resident of _____;
 2. The owner of Savings Account/ Certificate of Time Deposit/ Current Account No/s. _____ maintained with _____;
 3. In possession of the foregoing since the opening of the account/s and there is no conflict or dispute arising from my ownership and possession of the same;
 4. NAMING, CONSTITUTING AND APPOINTING _____ (name of attorney-in-fact), who is of legal age, single/married and a resident of _____, as my true and lawful attorney-in-fact, for me and my name, place and stead, for my own use and benefit, to do and perform any or all of the following acts and things, to wit:
 - (a) File a claim for payment of the deposit insurance with the Philippine Deposit Insurance Corporation (PDIC) for the above-stated account/s;
 - (b) Sign all documentary requirements relative thereto;
 - (c) Receive cash (if the amount is P5,000 & below) or check payment from PDIC for my insured deposit.

HEREBY GIVING AND GRANTING unto my attorney-in-fact full power and authority to do and perform every act and thing whatsoever requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could lawfully do if personally present, hereby ratifying and confirming all that my attorney-in-fact or substitute shall lawfully do or cause to be done by virtue of these presents;

HEREBY ASSERTING that I shall be held personally liable to any person, natural or juridical, that may be prejudiced by my representations, in addition to other liabilities, civil or criminal, that may arise therefrom; hereby releasing and discharging PDIC from any and all further obligations in connection with this claim; and I further undertake to refund PDIC the amount paid to me/received by my attorney-in-fact including interest thereon and indemnify PDIC, the bank and/or third parties for any loss or damage occasioned by such payment.

IN WITNESS WHEREOF, I have hereunto set my hand on this ___ day of _____ at _____.

Principal
ID/ No. _____
Issuance/Validity Date _____

Conforme:

Name & Signature of Attorney-in-Fact

Signed in the presence of:

ACKNOWLEDGMENT

Republic of the Philippines)
_____) S.S.

BEFORE ME, a Notary Public for and in _____ on this _____ day of _____, personally appeared _____, known to me to be the same person who executed this Special Power of Attorney and acknowledged to me that the same is his/her free and voluntary act and deed.

Witness my hand and seal.

Notary Public

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of _____.

Republic Act No. 9505*August 22, 2008***AN ACT ESTABLISHING A PROVIDENT PERSONAL SAVINGS PLAN,
KNOWN AS THE PERSONAL EQUITY AND
RETIREMENT ACCOUNT (PERA)**

Section 1. Title. - This Act shall be known as the “Personal Equity and Retirement Account (PERA) Act of 2008”.

Sec. 2. Declaration of Policy. - It is declared the policy of the State to promote capital market development and savings mobilization by establishing a legal and regulatory framework of retirement plans for persons, comprised of voluntary personal savings and investments. The State recognizes the potential contribution of PERA to long-term fiscal sustainability through the, provision of long-term financing and reduction of social pension benefits.

Sec. 3. Definition of Terms. - Unless the context requires otherwise, the following terms shall have the following significance as used in this Act:

(a) “Administrator” is an entity accredited by the Bureau of Internal Revenue (BIR), after pre-qualification by the concerned Regulatory Authority. The Administrator shall be responsible for overseeing the PERA, whose core functions shall include, but not limited to: reporting on contributions made to the account, computing the values of investments, educating the Contributor, enforcing PERA contributions and withdrawal limits, collecting appropriate taxes and penalties for the government, securing BIR Income Tax Credit Certificates for the Contributor, consolidating reports on all investments, income, expenses and withdrawals on the account and ensuring that PERA contributions are invested in accordance with the prudential guidelines set by the Regulatory Authorities.

(b) “Contributor” is any person with the capacity to contract and possesses

a tax identification number. The Contributor establishes and makes contributions to a PERA.

(c) “Custodian” is a separate and distinct entity unrelated to the Administrator, accredited by the Bangko Sentral ng Pilipinas, providing services in connection with the custodianship of funds and securities comprising the PERA investments. The Custodian shall be responsible for receiving all funds in connection with the PERA, maintaining custody of all original securities, evidence of deposits or other evidence of investment. The Custodian shall operate independently from the Administrator. The Custodian is required to report to the Contributor and the concerned Regulatory Authority at regular intervals all financial transactions and all documents in its custody under a PERA.

(d) “Early withdrawal” shall pertain to any withdrawal prior to the period of distribution as set forth under Sec. 12 hereof.

(e) “Investment Manager” is a regulated person or entity authorized by a Contributor to make investment decisions for his PERA. As such, it shall assume fiduciary duty and responsibility for PERA investments. An Investment Manager shall act with utmost fidelity by observing policies directed towards confidentiality, scrupulous care, safety and prudent management of PERA funds.

(f) “Personal Equity and Retirement Account (PERA)” refers to the voluntary retirement account established by and for the exclusive use and benefit of the Contributor for the purpose of being invested solely in PERA investment products in the Philippines. The Contributor shall retain the ownership, whether legal or beneficial, of funds placed therein, including all earnings of such funds.

(g) “PERA Investment Product” refers to a unit investment trust fund, mutual fund, annuity contract, insurance pension products, pre-need pension plan, shares of stock and other securities listed and traded in a local exchange, exchange-traded bonds or any other investment product or outlet which the concerned Regulatory Authority may allow

for PERA purposes: Provided, however, That to qualify as a PERA investment product under this Act, the product must be non-speculative, readily marketable, and with a track record of regular income payments to investors. The concerned Regulatory Authority must first approve the product before being granted tax-exempt privileges by the BIR.

(h) “Regulatory Authority” refers to the Bangko Sentral ng Pilipinas (BSP) as regards banks, other supervised financial institutions and trust entities, the Securities and Exchange Commission (SEC) for investment companies, investment houses stockbrokerages and pre-need plan companies, and the Office of the Insurance Commission (OIC) for insurance companies.

(i) “Overseas Filipino” refers to (1) an individual citizen of the Philippines who is working or deriving income from abroad, including one who retained or reacquired his Philippine citizenship under Republic Act No. 9225, otherwise known as the “Citizenship Retention and Reacquisition Act of 2003”; or (2) the legitimate spouse, whether or not said spouse is of Filipino ancestry, and the children of the Filipino citizen mentioned in item (1) hereof.

Sec. 4. Establishment of a PERA. - A Contributor may create and maintain a maximum of five (5) PERA, at any one time: Provided, That the Contributor shall designate and maintain only one (1) Administrator for all his PERA. The Contributor shall make all investment decisions pertaining to his PERA. However, he has the option of appointing an Investment Manager, either in writing or in electronic form, to make investment decisions on his behalf without prior consultation.

Sec. 5. Maximum Annual PERA Contributions. - A Contributor may make an aggregate maximum contribution of One hundred thousand pesos (P 100,000.00) or its equivalent in any convertible foreign currency at the prevailing rate at the time of the actual contribution, to his her PERA per year: Provided, That if the Contributor is married, each of the spouses shall be entitled to make a maximum contribution of One hundred thousand pesos (P 100,000.00) or its equivalent in any convertible foreign currency per year to his/her respective PERA: Provided, further, That if the Contributor is an overseas Filipino, he shall

be allowed to make maximum contributions double the allowable maximum amount. A Contributor has the option to contribute more than the maximum amount prescribed herein: Provided, That the excess shall no longer be entitled to a tax credit of five percent (5%). The Secretary of Finance may adjust the maximum contribution from time to time, taking into consideration the present value of the said maximum contribution using the Consumer Price Index as published by the National Statistics Office, fiscal position of the government and other pertinent factors.

Sec. 6. Employer's Contribution. - A private employer may contribute to its employee's PERA to the extent of the amount allowable to the Contributor: Provided, however: That the employer complies with the mandatory Social Security System (SSS) contribution and retirement pay under the Labor Code of the Philippines. Such contribution shall be allowed as a deduction from the employer's gross income. The Contributor, however, retains the prerogative to make investment decisions pertaining to his PERA.

Sec. 7. Separate Asset. -The PERA shall be kept separate from the other assets of an Administrator/Custodian and shall not be part of the general assets of the Administrator/Custodian for purposes of insolvency.

Sec. 8. Tax Treatment of Contributions. - The Contributor shall be given an income tax credit equivalent to five percent (5%) of the total PERA contribution: Provided, however: That in no instance can there be any refund of the said tax credit arising from the PERA contributions. If the Contributor is an overseas Filipino, he shall be entitled to claim tax credit from any tax payable to the national government under the National Internal Revenue Code of 1997, as amended.

Sec. 9. Tax Treatment of Investment Income. - All income earned from the investments and reinvestments of the maximum amount allowed herein is tax exempt.

Sec. 10. Tax Treatment of Distributions. - All distributions in accordance with Sec. 12 hereof are tax exempt.

Sec. 11. Termination. - Any premature termination shall be treated as an early withdrawal under Sec. 13 hereof: Provided, That the penalties thereunder shall not apply if the entire proceeds there from are immediately transferred to another PERA investment and/or another Administrator.

Sec. 12. Distributions Upon Retirement/Death. - Distributions may be made upon reaching the age of fifty-five (55) years: Provided, That the Contributor has made contributions to the PERA for at least five (5) years. The distribution shall be made in either lump sum or pension for a definite period or lifetime pension, the choice of which shall be at the option of the Contributor. The Contributor, however, has the option to continue the PERA. Complete distribution shall be made upon the death of the Contributor, irrespective of the age of the Contributor at the time of his death.

Sec. 13. Penalty on Early Withdrawal. - Any early withdrawal shall be subject to a penalty, the amount of which would be determined by the Secretary of Finance and payable to the government: Provided, That the amount of the penalty shall in no case be less than the tax incentives enjoyed by the Contributor. No early withdrawal penalty shall be imposed on any withdrawal of any funds for the following purposes:

- (a) For payment of accident or illness-related hospitalization in excess of thirty (30) days; and
- (b) For payment to a Contributor who has been subsequently rendered permanently totally disabled as defined under the Employees Compensation Law, Social Security Law and Government Service Insurance System Law.

Sec. 14. Non-Assignability. - No portion of the assets of a PERA may be assigned, alienated, pledged, encumbered, attached, garnished, seized or levied upon. PERA assets shall not be considered assets of the Contributor for purposes of insolvency and estate taxes.

Sec. 15. Rules and Regulations. - Consistent with the policy of promoting transparency in PERA investment and thereby affording protection to the Contributor, the Department of Finance, the Bureau of Internal Revenue and the concerned Regulatory Authorities, with the Bangko Sentral ng Pilipinas as lead agency, shall coordinate to establish uniform rules and regulations pertaining to the following subject matters:

- (a) Qualification and disqualification standards for Administrators, Custodians and Investment Managers, including directors and officers thereof;
- (b) Qualified and/or eligible PERA investment products;
- (c) Valuation standards for PERA investments;
- (d) Disclosure requirements on the terms and conditions of the PERA investments;
- (e) Minimum requirements imposed on the Administrators as regards inculcating financial literacy in investors;
- (f) Ascertainment of client suitability for PERA products;
- (g) Fees to be charged by the Administrator, Custodian or Investment Manager shall always be reasonable and approved by the concerned Regulatory Authority;
- (h) Record-keeping, reporting and audit requirement of Administrators and Custodians pertaining to records for all contributions, earnings and total account balances; and (i) Other pertinent matters to be determined by the Regulatory Authorities.

Sec. 16. Administration of Tax Incentives. - The BIR shall issue the implementing rules and regulations regarding all aspects of tax administration relating to PERA. The BIR shall coordinate the qualification standards of the Administrator with the Regulatory Authorities.

Sec. 17. Penalty. - A fine of not less than Fifty thousand pesos (P50,000.00) nor more than Two hundred thousand pesos (P200,000.00) or imprisonment of not less than six (6) years and one (1) day to not more than twelve (12) years or both such fine and imprisonment,

at the discretion of the court, shall be imposed upon any person, association, partnership or corporation, its officer, employee or agent, who, acting alone or in connivance with others, shall:

- (a) Act as Administrator, Custodian or Investment Manager without being properly qualified or without being granted prior accreditation by the concerned Regulatory Authority;
- (b) Invest the contribution without written or electronically authenticated authority from the Contributor, or invest the contribution in contravention of the instructions of the Contributor;
- (c) Knowingly and willfully make any statement in any application, report, or document required to be filed under this Act, which statement is false or misleading with respect to any material fact;
- (d) Misappropriate or convert, to the prejudice of the Contributor, contributions to and investments or income from the PERA;
- (e) By gross negligence, cause any loss, conversion, or misappropriation of the contributions to, or investments from, the PERA; or
- (f) Violate any provision of this Act or rules and regulations issued pursuant to this Act. Notwithstanding the foregoing, any willful violation by the accredited Administrator, Custodian or Investment Manager of any of the provisions of this Act, or its implementing rules and regulations, or other terms and conditions of the authority to act as Administrator, Custodian or Investment Manager may be subject to the administrative sanctions provided for in applicable laws. The above penalties shall be without prejudice to whatever civil and criminal liability provided for under applicable laws for the same act or omission.

Sec. 18. Abuse of the Tax Exemption and Privileges. - Any person, natural or juridical, who unduly avails of the tax exemption privileges herein granted, possibly by co-mingling PERA accounts in an investment with other investments,

when such person is not entitled hereto, shall be subject to the penalties provided in Sec. 17 hereof. In addition, the offender shall refund to the government double the amount of the tax exemptions and privileges enjoyed under this Act, plus interest of twelve percent (12%) per year from the date of enjoyment of the tax exemptions and privileges to the date of actual payment.

Sec. 19. Separability Clause. - If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

Sec. 20. Repealing Clause. - All laws, decrees, orders, rules and regulations or parts thereof inconsistent with this Act are hereby amended or modified accordingly.

Sec. 21. Effectivity. -This Act shall take effect fifteen (15) days following its publication in a newspaper of general circulation: Provided, That the tax incentives granted hereunder shall take effect on January 1, 2009.

A large rectangular area, shaded light gray, containing a grid of horizontal blue lines. The lines are spaced evenly and extend across the width of the rectangle, providing a writing area.

A large rectangular area with a light gray background, containing a table structure. The table has 20 horizontal rows and is defined by a double blue border. The table is currently empty.

