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*BDB Law's "Tax Law for Business" appears in the opinion section of **Business Mirror** every Thursday.*

Application for qualification and accreditation of Pera participants and investment products

UNDER Republic Act (RA) 9505, otherwise known as the PersonalEquity and Retirement Account [Pera] Act of 2008," individuals are allowed to set up Pera, which are voluntary retirement accounts established by and for their exclusive use and benefit, for the purpose of being invested solely in Pera investment products in the Philippines. In order to further the state's policy of promoting savings mobilization and capital market development, the government, through the Bureau of Internal Revenue (BIR) and the Bangko Sentral ng Pilipinas (BSP), has issued the pertinent guidelines to further implement the said law.

Under the Pera Act of 2008, contributions to Pera accounts, as well as the income and distributions therefrom, are granted certain tax incentives and privileges. To fully implement such tax incentives and privileges, the BIR issued Revenue Regulations (RR) 17-2011 on October 27, 2011.

Likewise, the BSP, on November 28, 2014, issued BSP Circular 860, series of 2014, which provides the guidelines on the qualification and accreditation requirements of Pera market participants and Pera investment products. Such circular was issued pursuant to the provisions of the Pera Act of 2008, which provides that the BSP is the lead agency in establishing the rules and regulations pertaining to qualification and disqualification standards for Pera market participants, including their directors and officers, and qualified and/or eligible Pera investment products, among others.

Under the said BSP circular, the Pera investment products, considered as eligible Pera investment products are unit investment trust funds (UITFs), debt instruments such as long-term negotiable certificates of deposit, and unsecured subordinated debt, deposits and government-issued securities. Other investment products may be allowed by the BSP, provided that they are non-speculative, readily marketable and with a track record of regular income payments to investors.

It must be noted that not just any entity or person may participate in the Pera market. Under the above-mentioned BSP circular, Pera market participants, which are the administrators, investment managers and custodians, must first be considered as BSP-eligible, and are required to file their applications for qualification or accreditation with the BSP. An administrator is an entity responsible for overseeing the Pera, and only banks, trust entities and other entities determined by the BSP as eligible to act as such, are qualified to be Pera administrators. Such administrators are required to hold eligible government securities, as security for the faithful performance of their duties under the Pera Act of 2008, equivalent to 1 percent of the book value of the total volume of Pera assets administered by it, earmarked in favor of the BSP. It must be noted that Pera administrators merely apply for qualification with the BSP, as those

who are able to satisfy all the requirements therefore will be issued by the BSP a “Qualification Certificate”, and thereafter, they are still required to file another application with the Pera Processing Office of the BIR in order to complete their application for accreditation.

An investment manager is a regulated person or entity authorized by an individual to make investment decisions for his Pera account. Trust entities and other entities determined by the BSP as having the qualifications to be accredited as Pera investment managers are eligible to apply for accreditation. They are required to have at least five years’ experience in professional investment management, and unlike administrators, they need not complete their application for accreditation by filing another application with the BIR.

Last, Custodians may either be cash custodians or securities custodians, and are separate and distinct entities unrelated to the administrator, accredited by the BSP, providing services in connection with the custodianship of funds and securities comprising the Pera investments. Only banks are eligible to be cash custodians, while banks and trust entities with trust licenses are eligible to be securities custodians. Just like investment managers, they need not complete their application for accreditation by filing another application with the BIR.

These eligible entities seeking qualification or accreditation as Pera market participants shall file their applications for qualification or accreditation with the appropriate department of the Supervision and Examination Sector of the BSP, signed by their CEOs. These applications shall be accompanied by the following documents:

1. Certified true copy of the resolution of their board of directors authorizing the application;
2. Certification signed by their CEOs stating that they have complied with all relevant requirements, and an undertaking to comply with the said requirements while they act as Pera market participant; and
3. Relevant Pera forms, board-approved policies on fees and charges, and, if they wish to become Pera administrators, they must provide proof that they have sufficient personnel who have undergone training prescribed by the BSP to educate individuals on the nature of Pera, the privileges, conditions and requirements thereof, its risks and benefits, and the respective roles of the different Pera market participants.

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