

**RULE INTERPRETATION:
TRUSTS AS QUALIFIED INVESTOR PARTICIPANTS**
Approved by the Market Governance Board on 7 January 2008

Section 1.3.3.a.vi of the PDEX Rules for the Fixed Income Securities Market, As Amended (PDEX Rules) on Trading Participants states -

In addition to the qualifications under Rule 1.3(1), a Qualified Investor Participant should:

a. Be any of the following:

- i. Bank;*
- ii. Investment House;*
- iii. Insurance Company;*
- iv. Pension fund or retirement plan maintained by the Government of the Philippines or any political subdivision thereof or managed by a bank or other persons authorized by the Bangko Sentral to engage in trust functions;*
- v. Investment company;*
- vi. Any other entity (whether a corporation, partnership or trust) with total assets of at least Php 1,200,000,000;
or*
- vii. Any other person that shall be duly recognized by the SEC as a "Qualified Investor" under SEC rules and/or regulations; [Emphasis supplied]*

x x x

The PDEX Market Governance Board (MGB) at its meeting on 07 January 2008 defined the "**trust**" in relation to the above-mentioned rule to be any:

- 1) duly licensed trust company; or
- 2) duly authorized trust department of a bank or investment house;

each of which must have aggregate trust assets amounting to at least Php1,200,000,000, selling and/or buying in securities purchased and/or sold for and on behalf of trust or investment managed accounts wherein they exercise Discretionary powers.

"Aggregate trust assets" shall mean the total trust assets held by the trust company or the trust department of a bank or investment house.

"Discretion" shall mean the power and authority given to the trust entity in investing the customer's funds, in accordance with applicable regulations. A trust or investment fund that issues general limitations on the authority

granted, as long as the trust entity is not required to obtain prior approval from the customer for each transaction, is still a discretionary fund for purposes of this interpretation.

Only *discretionary* trust accounts are qualified to apply, in line with the Securities and Exchange Commission's thrust of protection accorded to qualified versus non-qualified investors, as implied from Rules Governing the Over the Counter Market (OTC Rules) limiting participation of non-qualified investors in the OTC market through "non-directional" trust funds, and the Securities Regulation Code Implement Rules and Regulations (SRC IRR), exempting from registration evidence of indebtedness issued to trust accounts where bank-trustee is granted discretionary powers, specifically:

1. Section 7 C.2 of the Rules Governing the Over-the-Counter (OTC) Market which state:

"A non-qualified investor shall not participate in an OTC Market unless such participation is in any of the following manners:

xxx

*Through participation in a registered or chartered collective investment scheme such as an investment company, a **non-directional trust fund or pension fund.**" [Emphasis supplied]*

2. SRC Rule 9.2.2.B of the SEC Implementing Rules and Regulations which state:

"The registration requirements shall not likewise apply to any of the following:

xxx

*Evidence of indebtedness issued to the following primary institutional lenders: banks including their trust accounts wherein the **bank-trustee is granted discretionary powers in the investment disposition of the trust funds**, investment houses including their trust accounts wherein the **investment house-trustee is granted discretionary powers in the investment disposition of the trust funds xxx**" [Emphasis supplied]*