

## 401 STATEMENT OF PRINCIPLES

The cardinal principle common to all trust and other fiduciary relationships is fidelity. Policies predicated upon this principle shall be directed towards observance of the following:

- a. *Prudent administration.* The trust, investment management and other fiduciary accounts shall be administered in conformity with the intention and purpose of the client as manifested in the terms of the agreement, and with the skill, care, prudence and diligence necessary under the circumstance then prevailing that a prudent man acting in like capacity and familiar with such matters would exercise in the conduct of an enterprise of like character and with similar aims.
- b. *Undivided loyalty and utmost care.* In the discharge of fiduciary responsibility, the interests of clients shall be placed above those of the bank. Clear policies and procedures shall be developed in dealing with conflict of interest situations. The fiduciary assets shall be objectively and fairly administered, invested and distributed giving due regard to the beneficiaries' respective interests.
- c. *Non-delegation of responsibilities.* The administration of the trust, investment management, or fiduciary responsibilities or the performance of acts that should be personally performed shall not be delegated as the client's confidence is reposed on the trust entity (TE).
- d. *Preserving and protecting property.* Reasonable care and diligence shall be observed to preserve and protect the property entrusted. Fiduciary assets shall be kept legally separate and distinct from proprietary assets and from one (1) fiduciary/trust/investment management account to another.
- e. *Keeping and rendering accounts.* A true and accurate account or record of transactions entered into shall be kept. Reports on the trust, investment management and other fiduciary accounts shall be rendered to the trustor, principal, beneficiary, or other party in interest, or the court concerned, or any party duly designated by a court order, as the case may be, in accordance with Sec. 435. Likewise, all material facts within the knowledge or reasonably discoverable by the TE, particularly information that would enable clients to make well-informed decisions, shall be promptly transmitted/relayed to clients for them to protect their interests.

Furthermore, practices shall be carried out in accordance with the basic standards (*Appendix 86*) and Risk Management Guidelines (*Appendix 87*) for trust, other fiduciary and investment management accounts.

A bank authorized to engage in trust and fiduciary business is under no obligation, either legal or

moral, to accept any such business being offered nor has it the right to accept if the same is contrary to law, rules, regulations, public order and public policy. It shall advertise its services in a dignified manner and enter such business only when demand for such service is evident, when specially equipped to render such service and upon full appreciation of the responsibilities involved. It shall be ready and willing to give full disclosure of the services being offered and shall conduct its dealing with transparency. Harmonious relationship shall likewise be pursued with other professions to achieve the common goal of mutual service to the public and protection of its interest.

Banks may not receive or hold as trustee, agent, administrator, financial manager, or other similar capacity, any fund or money from the Government and government entities, except government financial institutions. Government-owned banks may receive or hold as trustee, agent, administrator, financial manager, or other similar capacity, the following:

- a. Funds of local government units (LGUs) which are expected to be available for investment purposes for a relatively long period of time: *Provided*, That the amounts held in trust or otherwise managed/advised for and in behalf of the LGUs shall be invested only in government securities, specifically, evidences of indebtedness of the National Government, the Bangko Sentral and other evidences of indebtedness or obligations of government entities, the servicing and repayment of which are fully guaranteed by the National Government; and
- b. Funds of government and government entities which are authorized by special laws to be placed in trust.

*(Circular Nos. 828 dated 11 March 2014)*