

421 AUTHORITY TO PERFORM INVESTMENT MANAGEMENT

Banks may be authorized by the Monetary Board to act as managing agent, adviser, consultant or administrator of investment management/ advisory/consultancy account under Section of R.A. No. 8791. However, such authority shall not be construed to include the authority to engage in trust and other fiduciary business under Chapter IX of R.A. No. 8791.

If a bank is found to engage in unauthorized investment management activities, the Monetary Board may impose administrative sanctions against such bank or its principal officers and/or majority stockholders or proceed against them in accordance with law.

The Monetary Board may take such action as it may deem proper such as, but may not be limited to, requiring the transfer or turnover of any IMA to duly incorporated and licensed entities of the choice of the client.

A bank not authorized to engage in investment management activities shall not advertise or represent itself as being engaged in investment management activities or represent itself as investment manager or use words of similar import.

Required capital. Banks applying for authority to perform investment management activities must have minimum capital accounts of not less than P300 million or such amount as may be required by the Monetary Board or other regulatory agency.

Prerequisites for engaging in investment management activities. A bank before it may engage in investment management activities shall comply with the following requirements:

- a. The bank has been duly licensed by the Bangko Sentral or created by special law or charter.
- b. The articles of incorporation or charter of the bank shall include among its powers or purposes the authority to engage in investment management activities.
- c. The by-laws of the bank shall include, among other things:
 - (1) The organization plan or structure of the department, office or unit which shall conduct the investment management activities of the institution;
 - (2) The creation of an investment management committee, the appointment of an investment management officer and subordinate officers of the investment management department; and
 - (3) A clear definition of the duties and responsibilities as well as the line and staff functional relationships of the various units, officers and staff within the organization.

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- d. The applicant shall also meet the additional requirements under Sec. 411 (*Pre-requisites in trust and other fiduciary business* Item “d” to “m”).

Compliance with the foregoing as well as with other requirements under existing regulations, shall be maintained up to the time the investment management authority is granted. A bank that fails in this respect shall be required to show compliance for another test period of the same duration.

Pre-operating requirements. A bank authorized to engage in investment management activities shall, before engaging in actual operations, submit to the Bangko Sentral the following:

- a. Government securities acceptable to the Bangko Sentral amounting to P500,000 as minimum basic security deposit for the faithful performance of investment management duties required under Sec. 424;
- b. Organization chart of the investment management department which shall carry out the investment management activities of the bank; and
- c. Names and positions of individuals designated as chairman and members of the investment management committee, investment management officer and other subordinate officers of the investment management department.