

**OPERATIONAL GUIDELINES ON THE ADMINISTRATION OF THE PERSONAL EQUITY
AND RETIREMENT ACCOUNT (PERA)
(Appendix to Sec. 1121)**

Pursuant to R.A. No. 9505 also known as the Personal Equity and Retirement Account (PERA) Act of 2008 (PERA Act) and its Implementing Rules and Regulations (PERA Rules), the following operational guidelines on the administration of PERA are hereby issued. Certain capitalized terms herein used shall have the definitions ascribed to them in the PERA Rules unless the context otherwise requires.

I. ACCOUNT OPENING

A. Eligibility Review and Pre-acceptance Disclosure

- 1) Only a natural person who has the capacity to contract and has a Tax Identification Number (TIN) can be a contributor.
- 2) The administrator shall -
 - (a) Determine the exclusivity of PERA administration through an on-line validation in the PERA contributors' database (PERA System).
 - (b) Observe the following rules prior to any account opening:
 - i. A contributor shall designate and maintain only one (1) administrator for all his PERA;
 - ii. A contributor may create and maintain a maximum of five (5) PERA at any one time;
and
 - iii. Each PERA shall be confined to only one category of investment products. For this purpose, the categories of PERA investment products are as follows:
 - a. unit investment trust fund;
 - b. mutual fund;
 - c. annuity contract;
 - d. insurance pension product;

- e. pre-need pension plan;
 - f. government securities;
 - g. stock or other security listed and traded in a local exchange;
 - h. exchange-traded bond; or
 - i. any other category of investment product or outlet which the concerned Regulatory Authority may allow for PERA purposes: *Provided*, That, the product must be non-speculative, readily marketable, and with a track record of regular income payments to investors.
- (c) Ensure that the minimum documentary requirements (Annex A) for the proper identification of the Contributor are properly complied with and in adherence with the Anti-Money Laundering (AML) regulations and the PERA Act; and
- (d) Fully disclose to the potential contributor the following, using the Pre- Acceptance and General Risk Disclosure Statement (PGRDS):
- i. Nature of a PERA, privileges and conditions of its establishment; emphasis must be placed on the long-term nature of PERA, the conditions for tax exemption and penalties for early withdrawal unless the early withdrawal is allowed under the PERA Act;
 - ii. Category and investor-risk profile classification of PERA investment products available to a Contributor;
 - iii. Risks associated with each category of PERA investment products which shall form part of the General Risk Disclosure Statement;
 - iv. Specific obligations and responsibilities of an administrator, investment manager (Advisor) and custodian; and
 - v. Prerequisite to appoint a cash custodian and an option to elect an investment manager (Advisor).

B. Account Opening Process

- 1) The administrator shall –

- (a) Require the contributor to accomplish a PERA Client Suitability Assessment (PCSA) prior to account opening;
 - (b) Formulate an Investment Policy Statement (IPS) which shall serve as a frame of reference for investment decisions of the contributor. The administrator shall inform the contributor of the full range of PERA investment products with emphasis on the specific category of products corresponding to the contributor's risk profile classification as borne by the results of PCSA. The administrator, however, shall provide a process for allowing contributor to invest in PERA investment products not falling within his risk profile classification; *Provided, That*, any such investment may be allowed only upon the prior written instruction of the contributor;
 - (c) Execute the PERA Administration Agreement (PAA) and furnish the contributor copies of the PAA along with the PGRDS, PCSA and IPS; and
 - (d) Ensure that the contributor's account opening details are lodged in the PERA System.
- 2) In addition, the administrator shall facilitate the contributor's appointment of a cash custodian and as necessary, a securities custodian.
- 3) In the case of a contributor who opts to engage the services of or has engaged an investment manager (Advisor), he shall provide the administrator with a copy of the PERA investment management (Advisory) Agreement. The said agreement shall set forth at its minimum, the overall investment philosophy, standards, and practices of the investment manager (Advisor) and the validation by the investment manager (Advisor) of the contributor's PCSA and IPS. The investment decisions made by the investment manager (Advisor) for and on behalf of the contributor shall be in accordance with the authority granted by the contributor in their agreement.
- 4) An entity who is offering a PERA investment product hereinafter referred to as the PERA product provider shall furnish the administrator and/or contributor all relevant documents necessary to facilitate the investment of a contributor in the PERA investment product. Appropriateness of the PERA investment product based on PCSA and IPS of contributor shall be validated by administrator.

II. ACCOUNT ADMINISTRATION

A. Contributions

1) The administrator shall –

(a) Secure proof of income when a contribution is made and ensure that the maximum aggregate contribution per calendar year as follows has not been exceeded. If in case proof of income is already obtained for a contribution made during the calendar year, the same shall no longer be required for subsequent contributions made during the year:

- i. P100 thousand or its equivalent in any convertible foreign currency at the prevailing rate for non-Overseas Filipino (non-OF); or
- ii. P200 thousand or its equivalent in any convertible foreign currency at the prevailing rate for OF;

For this purpose, prior to contribution, the status of an OF shall be validated by securing from the OF a sworn certification on his continuing status as an OF for the calendar year;

(b) Receive and acknowledge all contributions, initial and subsequent, through the PERA contribution and investment instruction Form (PCIIF) which shall also contain the investment directives of the contributor or his designated investment manager (Advisor):

- i. The administrator shall facilitate and assist the contributor in completing the necessary documents for the chosen PERA investment product/s; and
- ii. The contributor shall be provided with the copies of the PERA investment product documents such as, but not limited to, specific risk disclosure statement if not yet provided by the product provider to the contributor;

(c) Ensure that all contributions are directly remitted to the cash custodian;

(d) Maintain a record of all contributions made to the PERA on per account and aggregate basis;

(e) Ensure that the PCSA and IPS are periodically updated or as often as may be necessary, upon notice to the administrator, on account of change in the contributor's personal/financial circumstances or preferences;

(f) Apply for certificate of entitlements or tax credit certificate on behalf of the contributor and likewise receive the same from the BIR.

In the case of employer's contribution:

- (g) Accept the contributions of an employer only if:
 - i. Its employees have already opened a PERA;
 - ii. Each employee has accomplished a PCIIF; and
 - iii. The maximum aggregate yearly contribution of the contributor has not been exceeded.
- (h) Issue to the employer a certificate of the actual amount of qualified employer's contributions which shall serve as its basis for deduction on its gross income; and
- (i) Secure from the employer a certification on the amount of tax not withheld on compensation/fringe benefits as a result of contributing to the PERA of its employees.

2) The cash custodian shall -

- (a) Open a PERA cash account for the contributor which shall be governed by a PERA cash custody agreement;
- (b) Receive and acknowledge all contributions directly remitted by the administrator; and
- (c) Custodize all funds of the PERA.

3) In the case of a contributor who has an investment manager (Advisor), the investment manager (Advisor) shall accomplish the investment instructions portion of the PCIIF for and on behalf of the Contributor.

B. Choice of PERA Investment Product

1) The administrator shall -

- (a) Execute the contributor's or his investment manager (Advisor)'s instruction as indicated in the PCIIF;
- (b) Based on the PCIIF, instruct the cash custodian to remit the funds to the chosen PERA product provider;
- (c) Instruct the PERA product provider to transfer the securities or evidence of investments to the securities custodian and provide details of the PERA cash account of the contributor for the credit of investment proceeds;
- (d) Maintain a record of all investments including earnings and expenses relative to the PERA.

2) The cash custodian shall execute the administrator's instruction as to disposition of the funds.

3) The PERA product provider shall -

- (a) Transfer the securities, evidence of deposits or other evidence of investments to the securities custodian chosen by the contributor. In case of self-custody arrangement for securities that are non-transferable, non-negotiable and non-withdrawable, the evidence of investments shall be given to and kept by the contributor;
- (b) Credit to the contributor's PERA cash account all cash due to the contributor relative to his PERA investment product.

4) The securities custodian shall -

- (a) Open a PERA securities account for the contributor which shall be governed by a PERA Securities Custody Agreement;
- (b) Receive and acknowledge all evidence of investments; and
- (c) Custodize all non-cash assets of the PERA except those under self-custody arrangement.

C. Change of PERA Investment Product

- 1) PERA investment product/s may be changed: *Provided*, That the entire PERA assets arising from the sale shall be transferred to another PERA Investment Product/s within two (2) working days from withdrawal thereof.
- 2) The contributor or his investment manager (Advisor) shall accomplish the PCIIF and submit the same to the administrator.
- 3) The administrator shall -
 - (a) Execute the investment instructions of the contributor or his investment manager (Advisor) as indicated in the PCIIF; and
 - (b) Coordinate with PERA Product provider, cash custodian and securities custodian as to disposition of the PERA assets.

D. Suspension or Revocation of Qualification/Accreditation

Common provisions in the event of suspension or revocation of qualification/accreditation:

- 1) The administrator, investment manager (Advisor) or custodian, as the case may be, shall -

- (a) Notify the contributors by direct written notice to each contributor and through posting of notices in its head office and branches, within three (3) working days from receipt of notice of suspension or revocation from the Bangko Sentral; and
 - (b) Institute a mechanism to monitor and ensure that all contributors have received the notice of suspension or revocation.
- 2) The contributor shall advise the administrator, investment manager (Advisor), or custodian of his choice of a new administrator, investment manager (Advisor), or custodian, as the case may be, within three (3) working days from receipt of the notice of suspension or revocation.

Failure of the contributor within the prescribed period to designate a new administrator or custodian shall authorize his current administrator or custodian to appoint its successor that shall assume all its duties and responsibilities to the contributor.

In the event of suspension or revocation of their qualification/accreditation:

- 1) The former administrator shall -
- a) Effect the transfer of PERA assets to the new administrator chosen by the contributor within two (2) working days from receipt of contributor's advice; otherwise, the former administrator shall be personally liable for the early withdrawal penalties which may be imposed by the BIR; and
 - b) Turn-over to the new administrator the complete and updated files and records (in soft and hard copies) of the contributor's PERA.

While the new administrator shall -

- a) Ensure the completeness of PERA files and records turned-over by the former Administrator that will enable proper performance of its functions; and
 - b) Follow all the procedures enumerated in item II (account administration) that are necessary to ensure continuity of the PERA.
- 2) The former investment manager (Advisor) shall advise the contributor and his administrator within the above prescribed period; however, in the absence of any advice from the contributor on his choice for a new investment manager (Advisor), the former investment manager (Advisor) shall turn over to the administrator all the contributor's PERA records and

documents.

3) The former custodian shall advise the contributor and his administrator within the above prescribed period and shall -

- (a) Turn over to the new custodian all PERA assets in its custody within two (2) working days from receipt of Contributor's advice; and
- (b) Submit to the administrator a report on all financial transactions and documents in its custody relative to the transferred PERA assets within the same period.

While the new custodian shall -

- (a) Receive and acknowledge the PERA assets turned over by the former custodian; and
- (b) Follow all the procedures enumerated in item II (account administration) that are necessary to ensure continuity of the PERA.

E. PERA Records and Reports

1) The administrator shall -

- (a) Possess adequate systems and technological capabilities to ensure proper recording and tracking of contributor's PERA;
- (b) Maintain separate set of books of accounts for all contributions, investments, earnings, expenses, withdrawals and terminations of the PERA;
- (c) Retain documentary proof of contribution/income/withdrawal/termination subject to validation of the BIR whenever requested;
- (d) Monitor and keep track of the contributor's tax credits, privileges and other entitlements; and
- (e) Consolidate and reconcile all transactions/documents with the cash and securities custodians.

2) In addition, the administrator shall submit the following reports:

| Recipient | Frequency | Particulars |
|-------------|---------------|---|
| Contributor | As applicable | Sale and purchase of PERA assets |
| | Quarterly | Summary of the following information: i. Total contributions and withdrawals for each PERA, indicating therein the total amount of contributions entitled to tax incentives; |

| | | |
|---------------------------|-------------|---|
| | | ii. Total income earned on the contributions, indicating those entitled to income tax exemption; iii. Total fees and charges assessed and paid by the contributor to administrator, investment manager (Advisor), if any, cash and/or securities custodians; iv. Purchase and sale transactions of PERA assets implemented and those pending execution; and v. Valuation of the PERA assets and investments. |
| Employer of a contributor | Annually | Certification on the actual amount of the qualified employer's contribution in case when the employer made contributions to the PERA of its employees |
| Bangko Sentral | Quarterly | Reports on all PERA assets under its administration which shall form part of the financial reporting package (FRP) of banks and trust entities |
| BIR | As provided | PERA reports as may be required by the BIR |

Furthermore, the administrator shall perform periodic uploading of transactions details to the PERA System.

3) The cash and securities custodians shall submit the following reports to -

- (a) The contributor and the administrator - a quarterly securities and cash activity report of all financial transactions and documents under their custody within ten (10) days after the end of each quarter; and
- (b) The Bangko Sentral - quarterly reports on all PERA assets and documents under their custody which shall form part of the financial reporting package of banks and trust entities.

4) The investment manager (Advisor) shall provide periodic reports to the contributor as stipulated in the PERA investment management (Advisory) agreement.

F. Valuation of PERA Investment Product

Each PERA investment product shall be valued in accordance with the valuation methodology, standards and reporting requirements as prescribed by the concerned regulatory authority of that PERA investment product; *Provided*, That such valuation methods and standards are in accordance with internationally accepted accounting and valuation standards.

G. Accounts Review

- 1) The administrator shall conduct a periodic administrative review of all PERA under its administration to ensure that –
 - (a) Transactions involving PERA comply with the contributor’s or his investment manager (Advisor)’s instructions, contracts, and applicable laws, rules and regulations;
 - (b) Investments of the contributor are aligned with his risk profile and/or IPS, and are authorized by the contributor or his investment manager (Advisor);
 - (c) Books of accounts are correct and updated, and appropriate taxes/penalties are properly accounted and/or paid to the government, when applicable; and
 - (d) PERA assets are kept separate from other assets of the administrator for the purposes of insolvency.
- 2) The administrator or the contributor’s investment manager (Advisor), if any, shall conduct at least quarterly an investment performance review of all PERA investment products and/or all PERA assets of the contributor. The results of such review shall be reported to the contributor through his quarterly financial statements, or as frequent as necessary.

H. Collection of Fees

- 1) The administrator, investment manager (Advisor) and cash/securities custodian may charge against the PERA appropriate fees that are commensurate to the services rendered in relation to the contributor’s PERA.
- 2) The investment manager (Advisor) and cash/securities custodian shall provide the contributor’s administrator with their respective bills for their investment management services and custodial services.
- 3) The administrator may –
 - (a) Correspondingly charge against the PERA of a contributor the appropriate fees such as administration, investment management and custodial fees and report the same to the contributor; and
 - (b) Instruct the cash custodian to pay the administrator, cash/securities custodian and investment manager (Advisor), if any.

III. ACCOUNT WITHDRAWALS, DISTRIBUTIONS AND TERMINATION

A. Early Withdrawal

- 1) The following shall not be subject to early withdrawal penalties:
 - (a) When the contributor had an accident or illness-related hospitalization in excess of thirty (30) days: *Provided*, That there is a notarized doctor's certificate attesting to said event;
 - (b) When the contributor becomes permanently totally disabled as defined under the Employees Compensation Law, Social Security Law or Government Service Insurance System Law: *Provided*, That he has a certification from the pertinent government agency;
or
 - (c) Immediate transfer of assets to another eligible PERA investment product and/or another administrator, who have been disaccredited either by the BIR or the Bangko Sentral, within two (2) working days from withdrawal thereof.
- 2) All other early withdrawals not mentioned above shall be imposed early withdrawal penalties.
- 3) The early withdrawal penalties to be imposed shall be those set forth in BIR Revenue Regulations No. 17-2011 and subsequent BIR issuances.

B. Qualified PERA Distributions

The following are considered qualified PERA distributions and shall be exempt from the payment of income taxes or estate tax, if applicable:

- 1) When the contributor reaches the age of fifty-five (55) years and has made contributions for at least five (5) years:
 - (a) The contributor has the option to receive his PERA assets in lump-sum, pension for a definite period or lifetime pension;
 - (b) Notwithstanding this condition, the contributor may opt to continue his PERA and its tax-privileges; or
- 2) Upon the death of the contributor: *Provided*, That a death certificate was presented:
 - (a) The administrator shall terminate the PERA and release the assets to the contributor's designated beneficiary/ies;
 - (b) In case when there is/are no designated beneficiary/ies, the administrator shall release the PERA assets to the contributor's estate in accordance with the laws on succession and

rules of court.

C. Release of PERA Assets

1) The administrator shall –

- (a) Secure from the contributor or his designated beneficiary/ies, when applicable, the duly accomplished PERA Notice of Withdrawal/ Termination Form (PNWTF) and other necessary documents;
- (b) Execute the divestment instructions of the contributor or his designated beneficiary/ies;
- (c) Instruct the securities custodian to release the evidence of investments to the appropriate parties and remit the divestment proceeds to the cash custodian;
- (d) Compute the early withdrawal penalties, if any, in accordance with the rules set forth by the BIR which shall be deducted from the divestment proceeds and instruct the cash custodian to remit the early withdrawal penalties to the BIR;
- (e) Report the withdrawal/termination transactions and submit the necessary documents to the BIR; and
- (f) Account for the unwithdrawn portion of the PERA, if any.

2) The cash custodian shall –

- (a) Release the divestment proceeds, net of early withdrawal penalties if any, to the contributor or his designated beneficiary/ies; and
- (b) Remit the early withdrawal penalties to the BIR as instructed by the administrator.

(Circular No. 890 dated 02 November 2015, M-2014-045 dated 02 December 2014, and Circular No. 860 dated 28 November 2014)