



Evolution of Fiduciary Standards in the Philippines

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Evolution of Fiduciary Standards in the Philippines

Anchor Philosophy

1989

Good Father of a Family

2004

Prudent Man Rule

Funds and properties held in trust or in any fiduciary capacity shall be administered with the skill, care, prudence and diligence necessary under the circumstances 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

2008

Basic Standards in the Administration of Trust, Other Fiduciary and IMA

Provides for expansion of risk management practices for an efficient operation and administration of Trust, other fiduciary and investment management activities due to increasing level of customer sophistication as well as products and services



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Two Points of View

✓ Internal Trust Processes

✓ Client Protection



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Characteristics

1989

- Responsibility of Protecting Customer's Interest Rests with the Institution
- Standards are fundamental in nature

2004

- Responsibility of Protecting Customer's Interest Now Shared by the Customer & the Trust Institution
- More expansive standards to accommodate increasing investment diversity and sophistication

2008



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Internal Trust Processes

1989

2004

2008

A. Management

- ***Qualifications of committee members, officers and staff.***
 - competence, integrity and honesty
- ***Responsibilities of administration***
 - Board of Directors*
 - Trust Committee*
 - Trust Officer*
- ***Approval of the appointment/designation of trust officers***



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Internal Trust Processes

1989

2004

2008

B. Separation of Bank and Trust

- **Non-Trust, Non-Fiduciary and/or Non-Investment Management Activities**
 - a. When the intent is to create a relationship other a trust, fiduciary and/or investment management;
 - b. When the agreement is used as a certificate of indebtedness or medium for confirming placements and investment thereof;
 - c. When the agreement is accepted by those other than the trust personnel;
 - d. Where there is a fixed rate or guaranty of income or return
 - e. Where the risk or responsibility is exclusively with the trustee, fiduciary or investment manager in case of loss



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Internal Trust Processes

1989

2004

2008

C. Unsound Practices

- **Unsafe and Unsound Practices**

- a. Arrangements whereby the client is at the same time the borrower of his own fund
- b. Self-dealing on granting loans or accommodations to any trust committee member, officer and employee of the trust department
- c. Covering portfolio losses and/or to guarantee the return of principal or income by borrowing from or selling trust, other fiduciary and/or investment management assets to the bank proper;
- d. Credit accommodation to past due account; and
- e. Requiring clients to sign documents in blank.



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Client Protection

1989

2004

2008

D. Investors' Protection Through Investment Limitations

- ***Lending and investment disposition***
 - a. Sovereign debt
 - b. Sovereign guarantees
 - c. Fully secured loans
- ***Transactions requiring prior authority***
 - a. Issues of self-dealing such as those with any departments, directors, officers, stockholders or employees of the trustee or fiduciary, or relatives and securities underwritten by, the trustee or fiduciary or a related company
 - b. Inter-account transactions



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Customer Protection

1989

2004

2008

D. Investors' Protection Through Investment Limitations

- ***Ceilings on loans.***
 - a. Loans funded by trust accounts shall be subject to
 - i. the Single Borrowers Limit and
 - ii. Directors, Officers, Shareholders and Related Individuals



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Internal Processes & Client Protection

1989

2004

2008

A. Basic Standards in the Administration of Trust, Other Fiduciary and Investment Management Accounts

- a. Accounts Acceptance & Review Processes
 - Customer Suitability, Risk Disclosure, Investment Policy Statement
- b. Accounts Administration
 - Credit Process
 - Investment Process
- c. Account Termination
- d. Best Practices
 - a. Best Execution
 - b. Chinese Wall



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Internal Processes & Customer Protection

1989

2004

2008

A. Basic Standards... Continuation...

- c. Personnel Investment Policies
- d. Confidentiality and Materiality of Information
- e. Fair Dealing
- f. Diligence and Reasonable Basis
- g. In House or Related Party Transaction Handling
- h. Valuation

5. Conflicts of Interest



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Internal Processes

1989

2004

2008

B. Strengthening of Corporate Governance & Risk Management

1. Reiteration of Cardinal Principles
 - a. Prudent Administration
 - b. Undivided Loyalty and Utmost Care
 - c. Non-Delegation of Responsibilities
 - d. Preserving and Protecting Property
 - e. Keeping and Rendering Accounts

2. Independence of Trust Committee
 - a. Qualifications
 - b. Independent Professionals
 - c. Redefine Duties and responsibilities of Board of Directors, Trust Committee, Trust Officer



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Internal Processes

1989

2004

2008

B. Strengthening of Corporate Governance & Risk Management

3. Risk Management Framework Oversight by Trust Committee
 - a. Risk Management Processes, Policies
 - b. Internal Control System

4. Fiduciary Risks Activities
 - a. Credit and Counterparty
 - b. Market
 - c. Liquidity
 - d. Operational
 - e. Compliance
 - f. Strategic
 - g. Reputation



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Internal Processes & Customer Protection

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2004

2008

Future



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Thank You