



HOUSE OF REPRESENTATIVES

H. No. 9343

BY REPRESENTATIVES CUA, SALCEDA, LACSON, TIANGCO, PADIERNOS, GARIN (S.), NOLASCO, LUSOTAN, GONZALEZ, TAMBUNTING, NOGRALES (J.J.), TEJADA, SINGSON-MEEHAN, HERRERA-DY, DAGOOC, REYES, BARBA, HARESCO, DELOSO-MONTALLA, TAN (A.D.L.), ROBES, EBCAS, SUANSING (E.), SUANSING (H.), BOLILIA, VIOLAGO, GERON, DY (F.M.C.), ESPINO, CRISOLOGO, TAN (A.), ESTRELLA, ALONTE, ATIENZA, RODRIGUEZ, GORRICETA, SALIMBANGON, GARCIA (J.E.), CHIPECO, BENITEZ, QUIMBO, ARENAS, TUPAS, GO (M.), NIETO, DEFENSOR (L.), SUNTAY, LAGON, VILLAR, SAVELLANO, ONG (J.), GARBIN, AGABAS, VERGARA, ONG (R.), CANAMA, BASCUG, CHATTO, BARONDA, BELMONTE, GO (E.C.), BAGATSING, MACAPAGAL ARROYO, DE VENECIA, LEGARDA, GATCHALIAN, REVILLA, YU, ESCUDERO, VILLARICA AND DALIPE, PER COMMITTEE REPORT NO. 959

**AN ACT
EXPANDING THE CAPITAL MARKET
BY DEVELOPING A ROBUST INSTITUTIONAL INVESTOR BASE,
STRENGTHENING THE REGULATORY ENVIRONMENT, AND
PROMOTING FINANCIAL LITERACY**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

- 1 **SECTION 1. Title.** - This Act shall be known as the "*Capital Market Development Act*".
2
3 **SEC. 2. Declaration of Policy.** - It is the declared policy of the State to promote a just and
4 dynamic social order that will ensure the prosperity of the country and free the people from
5 poverty through policies providing adequate social services, and which promote full employment,
6 a rising standard of living, and an improved quality of life for all. Towards this end, the
7 Government shall develop a deep and broad capital market that shall serve as engine for economic
8 growth and financial inclusion.
9
10 The State shall institutionalize a Capital Market Development Council (CMDC), to be composed
11 of members from both the public and private sectors representing the finance and investment
12 industry, and whose main task shall be to assist the government develop policies and the
13 implementing framework that shall promote the expansion and development of the capital market
14 on a nationwide scale. In line with this goal, a national strategy for the promotion of financial
15 inclusion shall be adopted and implemented through investor education that shall raise investor
16 awareness of the alternative savings and investment products such as those that shall be available
17 under this Act, and encourage long-term investing skills and financial well-being through
18 planning and making actual investments.
19

1 The State also acknowledges that expanding the capital market necessitates the development of a
2 wide institutional investor base that could best be achieved by adopting a robust pension fund
3 system. The State recognizes that the current pension fund system has long been due for reform
4 and as old age income support is now among the major social and economic challenges facing
5 many nations, including the Philippines, it is imperative to institute the reforms in the country's
6 retirement and pension system. The State shall therefore promote and encourage national savings
7 and prudential investments on the part of the employees, and in so doing, vigorously stimulate
8 the development of the capital market, in particular, and contribute to the desired economic
9 growth of the country, in general.

10
11 **SEC. 3. *Definition of Terms.*** - As used in this Act:

- 12
13 a. *Contributor* refers to any person or entity, such as the employer, employee, or those availing
14 under voluntary coverage, making the required contributions to a private pension and
15 retirement fund under this Act;
16
17 b. *Covered Employee* refers to any person in the employ of an employer as defined under the
18 Labor Code, who is compulsorily covered under Section 10 of this Act;
19
20 c. *Covered Employer* refers to any person, natural or juridical, employing the services of the
21 employee as defined under the Labor Code, who is compulsorily covered under Section 10 of
22 this Act;
23
24 d. *Early withdrawal* refers to any withdrawal, either wholly or partially, made prior to the period
25 of distribution or vesting as set forth under Section 18 hereof;
26
27 e. *Employee Pension and Retirement Income (EPRI) Account* refers to the pension account
28 created for the pension owner or EPRI owner under this Act;
29
30 f. *EPRI Administrator* refers to an entity accredited by the regulatory authorities that is
31 responsible for the general management of the EPRI;
32
33 g. *EPRI Asset* refers to the aggregate of the assets in the EPRI at any one time, including the cash
34 funds and the EPRI investment products into which they are invested and reinvested, and all
35 the income earned therefrom;
36
37 h. *EPRI Custodian* refers to a separate and distinct entity unrelated to the EPRI Administrator,
38 accredited by the regulatory authorities, that provides services in connection with the
39 custodianship of funds and securities comprising the EPRI investments. The Custodian shall
40 operate independently from the Administrator. The term shall likewise refer to the EPRI
41 owner who opts to retain custody, under a self-custodianship arrangement, of the funds and
42 securities comprising the EPRI investments;
43
44 i. *EPRI Owner* refers to an employee owning, holding and maintaining an EPRI account under
45 its name, whether under mandatory or voluntary coverage as provided under this Act;
46
47 j. *Investment Manager* refers to a regulated person or entity authorized by an EPRI owner to
48 make investment decisions for the contributor's EPRI Account and as such, shall assume
49 fiduciary duty and responsibility for EPRI investments;
50
51 k. *Investment Product* refers to a unit investment trust fund, mutual fund, annuity contract,
52 insurance pension products, pre-need pension plan, shares of stock and other securities listed

1 and traded in a local exchange, exchange-traded bonds or any other investment product or
2 outlet which the concerned regulatory authorities may allow or accredit;

- 3
4 l. *Vesting* refers to the conveying to an employee of unconditional entitlement to a share in a
5 pension fund;
6
7 m. *Voluntary EPRI FUND Owner* refers to a person allowed to voluntarily establish an EPRI
8 Account in the person's name. It shall include persons specifically excluded from compulsory
9 or mandatory coverage under Section 10 hereof, as well as self-employed individuals and
10 individuals in the practice of profession;
11
12 n. *Start of Employment* refers to the first day on which the employee is authorized or required by
13 the employer to be on duty in the employer's premises or at the prescribed workplace; and
14
15 o. *Micro Enterprise* refers to any business activity or enterprise that has total assets, including
16 those arising from loans but exclusive of the land on which the particular business entity's
17 office, plant and equipment are situated, of up to Three Million Philippine Pesos
18 (P3,000,000.00), or a higher amount as prescribed by the Magna Carta of Small Enterprises
19 under R.A. 8289 or the Barangay Micro Business Enterprises under R.A. 9178, defined as
20 those employing not more than ten (10) employees, regardless of business ownership, whether
21 single proprietorship, cooperative, partnership or corporation.
22

23 CHAPTER 1

24 CREATION OF A CAPITAL MARKET DEVELOPMENT COUNCIL

25
26 **SEC. 4. *Creation and function*** – There shall be created a Capital Market Development Council
27 (CMDC) composed of institutional members from both the public and private sectors. Its main
28 function is to promote and develop the Philippine capital market on a national scale, through any
29 or a combination of the following:
30

- 31 a. Recommend policies and reforms for the development and promotion of the Philippine capital
32 market;
33 b. Identify impediments to capital market development and recommend necessary reforms,
34 amendments, or modifications to eliminate such impediments;
35 c. Recommend policies that would stimulate medium-and long-term investments into productive
36 enterprises;
37 d. Promote investor confidence and financial literacy;
38 e. Recommend policies to streamline and simplify processes and regulatory procedures to ensure the
39 timeliness of registrations or approvals which is critical in dynamic financial markets;
40

41 **SEC. 5. *Membership, Chairperson and Co-Chairpersons*** – Membership in the CMDC shall be
42 institutional and shall be representative of the public and private sectors, particularly the finance
43 and investment industry. The members from the public sector shall be the agencies involved in
44 exercising oversight, policy or regulatory functions over the capital market, including the
45 Department of Finance (DOF), the Securities and Exchange Commission (SEC), the Bangko
46 Sentral ng Pilipinas (BSP), the Bureau of Treasury (BTr) and the Insurance Commission (IC).
47 These agencies shall be represented in the CMDC by the highest ranking officer of the agency or
48 office, or a representative who shall not be lower than an undersecretary or deputy or its
49 equivalent.
50

1 The CMDC shall be chaired by the Secretary of the DOF and co-chaired by a representative of
2 the private sector member representing an association or organization that has the most cross-
3 sectional membership and representation in the capital market. The Chairperson and Co-
4 Chairperson shall have the power to select, invite or remove members of the CMDC upon good
5 cause. The CMDC is empowered to form committees as needed, and to adopt its own set of
6 governing rules and procedures, including voting, to ensure the effective and efficient
7 performance of its mandated function.
8

9 The members from the private sector shall be chosen from industry associations or organizations
10 directly involved in the capital market, and who shall be of good standing and reputation.
11

12 **SEC. 6. *Capital Market Development Plans or Blueprint.*** Every five (5) years, the CMDC shall
13 research, develop, plan and recommend to the Secretary of Finance a set of capital market
14 development plans that will constitute the country's capital market roadmap. These plans shall
15 identify priority programs and projects, the formulation of which shall involve consultations with
16 concerned capital market organizations and regulatory agencies, and regional and international
17 capital market participants, if necessary.
18

19 The implementation of these plans by the appropriate government agencies or private offices shall
20 be monitored, reviewed and calibrated on a periodic basis taking into account the developments
21 in the capital markets of the country, the region and the rest of the world.
22

23 CHAPTER 2

24 FINANCIAL LITERACY AND INVESTMENT EDUCATION

25

26 **SEC. 7. *Financial Literacy and Investment Education*** - The CMDC shall recommend to
27 relevant government institutions involved in the educational system, a comprehensive, and
28 globally-benchmarked national investor education program that is aligned with the National
29 Strategy for Financial Inclusion. The said program shall be integrated with the enhanced basic
30 education program prescribed under Section 4 of Republic Act No. 10533 otherwise known as
31 the "*Enhanced Basic Education Act of 2013*", or in higher education or out-of-school youth
32 programs. It shall include the basic knowledge on savings and investments that will focus on
33 providing an overview of short and long-term investment instruments available to retail investors
34 such as those that may be available under this Act, the risks and rewards of savings and
35 investment, available investments in the domestic capital market, alternative investments,
36 investor protection safeguards provided under existing regulations, and how to recognize and
37 avoid financial fraud, among others.
38

39 The implementation of the education program shall use the latest technology such as online or
40 digital gateway, podcasts, among others, in order to reach as many target individuals as possible
41 nationwide. These digital materials shall be made accessible to schools, universities and
42 employers of the working class, that shall maintain a record of completion of the courses.
43

44 **SEC. 8. *Promoting Financial Literacy.*** - All government agencies and offices as well as private
45 corporations and individuals involved in the finance and investments industry shall promote
46 financial literacy to potential investors by disseminating relevant information about investments
47 and effecting the appropriate interventions, such as educational and training materials,
48 individualized advisory and consultation, social media informational materials.
49

1 To ensure the broadest participation in the pension fund system, DOF, DOLE, DTI, the BSP,
2 SEC, the IC, all private investment managers, administrators, and other financial institutions and
3 capital market players involved, in whatever capacity, to provide the necessary information and
4 assistance to existing and potential holders of EPRI accounts.

5
6 Employee and employer organizations, and labor unions are likewise mandated to promote
7 financial literacy among their members.

8
9 Detailed guidelines in the implementation of this provision shall be included in the joint
10 implementing regulations mandated under Section 33 hereof, and in any other subsequent
11 issuances.

12
13
14 **CHAPTER 3**
15 **EMPLOYEE PENSION AND RETIREMENT INCOME FUND**
16

17 **SEC. 9. *Establishment of an Employee Pension and Retirement Income Account.*** – There shall
18 be established at the start of employment a mandatory, fully funded and portable Employee
19 Pension and Retirement Income (EPRI) Account. The creation of the EPRI account of the
20 employee shall be the responsibility of both the employer and the employee.

21
22 The EPRI account shall be under the name of the employee bearing the employee’s PhilSys
23 Number (PSN) under Republic Act 11055, otherwise known as the “*Philippine Identification*
24 *System Act*”. If said PSN is not yet available at the time of the EPRI establishment, a Pension
25 Retirement and Income Number (PRIN) shall be assigned in the interim under the rules issued by
26 the regulatory authorities. Such PRIN shall be replaced with the PSN upon its availability.

27
28 An employee or those voluntarily covered shall only have one EPRI Account. The EPRI Account
29 shall be a permanent EPRI account until retirement and shall be owned, maintained, and managed
30 by the owner regardless of changes in employment or transfer of employer.

31
32 **SEC. 10. *Compulsory Coverage of Employees and Employers.*** – The EPRI shall cover all
33 employees and employers as defined under the Labor Code of the Philippines and its
34 implementing regulations. It will also cover, all corporations, whether domestic or resident
35 foreign corporation, general professional partnerships and such other entities, whether registered
36 or not, having persons under its employ.

37
38 The following are not compulsorily covered under this Act:

- 39
40 a. Employees of the National Government and its political subdivisions, including
41 government-owned or controlled corporations;
42 b. Domestic workers under Republic Act No. 10361 or the “Domestic Workers Act” or
43 “Batas Kasambahay”;
44 c. Overseas Filipino Workers;
45 d. Employees of a microenterprise with less than three (3) years service and who are not
46 yet EPRI owners; and
47 e. All those specifically excluded by the regulatory authorities in an implementing
48 regulation.
49

1 **SEC. 11. *Voluntary Coverage.*** – Self-employed and professionals, as well as those not
2 compulsorily covered under Section 10 hereof, may opt for voluntary coverage under this Act.
3 The contributions to the EPRI will be borne and paid solely by those opting for voluntary
4 coverage. Once under voluntary coverage, all the provisions of this Act as well as the governing
5 policies, rules and regulations thereof shall equally apply to them similar to those under
6 compulsory coverage.

7
8 **SEC. 12. *Change of Status from Mandatory to Voluntary Coverage or Vice-versa.*** – Any
9 interruption in the contribution to an EPRI account due to changes in the status of the EPRI Owner
10 from compulsory to voluntary, or vice-versa, shall not cause the termination or cancellation of
11 the EPRI Account. An EPRI account already established shall continue to exist until vesting or
12 upon the retirement of the EPRI Owner except in instances as may be determined by the
13 regulatory agency under the implementing regulations under Section 40 of this Act.

14
15 The changes in status contemplated under this Section shall include:

- 16
17 1. Change in employment from a covered private employer to a non-covered employer, whether
18 private or government;
- 19
20 2. Change of employment from employed to self-employed;
- 21
22 3. Change from voluntary to compulsory coverage;
- 23
24 4. Other similar situations that will disrupt the contributions, or will change the status of the
25 EPRI Owner, as may be determined by the regulatory authorities in the implementing
26 regulations.

27
28 **SEC. 13. *EPRI Account Ownership.*** - The EPRI Account shall be owned, held, and maintained
29 under the name of the employee and under the employee's sole and full control. The employee,
30 as EPRI Owner, shall exercise all the complete and unrestricted rights, privileges, discretion and
31 prerogatives as to the management, investment and maintenance of the EPRI Account during its
32 lifetime and until vesting.

33
34 Any income, interest or gains derived from the investment of the EPRI shall form part of the EPRI
35 Asset as owned or held by the EPRI Owner.

36
37 **SEC. 14. *Mandatory Funding and Contribution.***– Both the employee and the employer shall be
38 obliged to mandatorily contribute to the EPRI Account. The amount of such contribution, which
39 shall be fair, equitable, affordable, adequate and sustainable, shall be determined by the IC in an
40 implementing rules and regulations.

41
42 *Provided, That,* the initial contribution of the employer shall be 4%, while that of the employee
43 shall be 1% if receiving a salary above the minimum wage, and 0% if minimum wage earner or
44 below. The rate of contribution shall be based on basic pay only, excluding all other benefits
45 received from employment; *Provided further,* That, if the employer is a micro enterprise as
46 defined under Section 3(n) of this Act, only its employees with a minimum period of three (3)
47 years of service, and current EPRI owners at the time of hiring, shall be mandatorily covered by
48 this Act; *Provided, finally,* That the contribution of the employer and the employee may be
49 subsequently increased by the IC, in consultation with the DOF, the DOLE, and the National
50 Tripartite Industrial Peace Council (NTIPC), but at no instance shall the total contribution by each
51 of the employee and employer, computed separately, exceed 5% of the basic pay nor shall the

1 annual contribution exceed P160,000, which amount shall be adjusted for inflation every three
2 (3) years.

3
4 For those under voluntary coverage, the contribution to the EPRI shall be equivalent to the
5 employee's share, unless the voluntary EPRI Account holder opts to include the employer's share
6 as his additional contribution.

7
8 **SEC. 15. Remittance of Contributions.** – The contribution imposed in the preceding section shall
9 be remitted to the EPRI Account within the first ten (10) days of each calendar month following
10 the month for which they are applicable or within such time as the IC may prescribe. Every
11 employer required to deduct and to remit such contributions shall be liable for any default in the
12 payment of such contributions and the payment of the penalty prescribed under Section 33 of this
13 Act. If deemed expedient and convenient, at the option of the employer, the collection and
14 remittance of contributions shall be made quarterly or semi-annually in advance, the contributions
15 payable by the employees to be advanced by their respective employers: *Provided, that* upon
16 separation of an employee, any contribution so paid in advance but not due shall be credited or
17 refunded to his employer.

18
19 **SEC. 16. Investments; Default Investment Option.** - The EPRI Owner shall make all investment
20 decisions pertaining to the EPRI Asset which shall however be limited to EPRI investment
21 products as defined under Section 3(k) of this Act.

22
23 The concerned regulatory authorities shall determine a default investment product or products on
24 which the EPRI shall be invested in the event that the EPRI Owner fails to choose which product
25 to invest on. This default option shall be periodically reviewed by the regulatory authorities as to
26 investment risks, profitability and sustainability, and to prescribe a new default option, as and
27 when necessary.

28
29 The EPRI Owner may appoint an Investment Manager from among the accredited Investment
30 Managers as defined under Section 3 hereof, to provide financial advice and make sound and
31 prudent investment decisions on the owner's behalf. An Investment Manager shall act with utmost
32 fidelity by observing policies directed towards confidentiality, scrupulous care, safety and prudent
33 management of EPRI Assets.

34
35 The regulatory authorities shall define and provide specific metrics and parameters for
36 accreditation of investment products as are necessary.

37
38 Accredited investment products may be designed to cater to the different risk and return profiles
39 of EPRI account holders provided that each investment product is classified appropriately
40 according to risk level and managed in accordance with its stated investment objectives

41
42 **SEC. 17. Retirement Age.** – A covered employee, upon reaching the mandatory age of retirement
43 as prescribed by existing laws, shall retire and avail of the benefits under Section 18 of this Act.

44
45 Those persons under voluntary coverage will also be subject to the same conditions relative to the
46 compulsory retirement age as provided by existing laws.

47
48 **SEC. 18. Availment and Vesting of Benefits.** - Upon reaching the optional or compulsory age of
49 retirement under existing laws or on any of the instances allowed by the regulatory authorities for
50 vesting or termination, the retiring employee, or EPRI Owner shall be entitled to all the EPRI

1 Assets at the time of vesting or retirement. Such assets shall include all contributions and all the
2 fruits thereof, including any investments that have been made out of the EPRI account.
3

4 The distribution of benefits shall be made in either lump sum or pension payments, the latter being
5 paid either for a specific fixed period or a lifetime pension. The choice for the manner of payment
6 as well as the payment period shall be made by the EPRI Owner on or before the time of vesting
7 or benefit availment.
8

9 **SEC. 19. *Mandatory Minimum Benefits.*** – Other than the benefits stated under Section 18
10 hereof, and except for employees opting to be covered by RA 9461 and existing employee
11 retirement plans as allowed under the transitory provisions of this Act, there shall be no required
12 minimum benefits to be vested to the employee at the time of retirement.
13

14 **SEC. 20. *Beneficiary.*** – An EPRI owner can designate a Beneficiary of choice. Upon vesting,
15 retirement or termination, an EPRI owner can assign the rights over the EPRI Assets or pension
16 benefits to another person.
17

18 However, if the EPRI owner dies before vesting or termination under Section 18 hereof without
19 designating a beneficiary, the Laws on Succession of the New Civil Code of the Philippines shall
20 apply for purposes of determining the beneficiary.
21

22 An EPRI owner with no compulsory heirs can designate their beneficiary or beneficiaries and
23 have the right to change their beneficiaries anytime.
24

25 **SEC. 21. *EPRI Asset Sustainability, Adequacy and Actuarial Fairness.*** – All the necessary
26 policies and measures shall be promulgated, implemented and undertaken by the regulatory
27 authorities to ensure that the EPRI asset shall be adequate and sustainable.
28

29 The sustainability of the EPRI Asset shall take into consideration the desired and reasonably
30 adequate replacement rate as determined jointly by the DOF, DOLE and the IC. The desired
31 replacement rate shall be subject to periodic review and evaluation at least once every five (5)
32 years.
33

34 **SEC. 22. *Early Withdrawal; Exceptions.*** –. Except in cases allowed under this Section, early
35 withdrawals shall not be allowed.
36

37 Early withdrawal or premature termination shall be subject to penalties under Section 33 hereof:
38 *Provided however,* That, no penalty shall be imposed on any withdrawal of, or any portion of, the
39 EPRI Asset for the following purposes:
40

- 41 a. For payment to an employee who has been subsequently rendered permanently totally
42 disabled as defined under the Employees Compensation Law, Social Security Law or
43 Government Service Insurance System Law;
- 44 b. Death of the EPRI Owner; and
- 45 c. For such other analogous purposes as may be declared by the IC, in consultation with
46 the DOLE, as embodied in implementing regulations.
47
48
49

1 The transfer of an employee to a non-covered employer such as the government, or a change to
2 self-employed status, shall not be a ground for early withdrawal or termination. The EPRI account
3 shall remain to be alive although dormant as to contributions, or at the option of the EPRI Owner,
4 it can be made active under voluntary coverage until the date of retirement or vesting period. If
5 the employee subsequently becomes employed by a covered employer at any time prior to
6 retirement, the EPRI Account shall revert to mandatory coverage.

7
8 **SEC. 23. Tax Treatment.** – The contributions made for, or income and benefits received from an
9 EPRI account under this Act shall be treated as follows:

10
11 *a. Taxation of Contributions.* - The employer's contribution made under Section 14 of this
12 Act, shall be allowed as deductible expense of the employer subject to the substantiation
13 requirements under the National Internal Revenue Code (NIRC), as amended. Such
14 mandatory contributions made by the employer to the employee's EPRI account shall not
15 also be considered as part of the employee's compensation subject to income tax. On the
16 other hand, the employee's contribution out of the compensation received from the
17 employer, shall form part of the employee's compensation income subject to income tax.

18
19 *b. Taxation of Investment Income.* - All income of whatever nature earned by the EPRI,
20 including interest and gains earned from the placements or investments of the EPRI assets,
21 shall be exempt from all taxes. In case of transactions subject to the Documentary Stamp
22 Tax (DST), the DST shall be borne by the other party who is not exempt from payment
23 thereof.

24
25 *c. Taxation of Benefits.* - All benefits and distributions received by the employee at the time
26 of vesting or retirement under Section 18 hereof, shall be exempt from all taxes.

27
28 At no instance shall the EPRI account be subject to the value-added tax or the business tax under
29 Title IV and V of the NIRC, as amended, notwithstanding the regularity of its investment
30 activities.

31
32 **SEC. 24. Regulatory Authorities.** - The EPRI Account created under this Act, including those
33 involved in the implementation, administration, management and custody of its fund and assets,
34 shall be placed under the regulation, supervision and administration of the DOF, IC, SEC, and the
35 BSP, either jointly or singly, as laid down in the succeeding Sections hereof.

36
37 For this purpose, the current administrative, supervisory and regulatory powers of the IC, SEC
38 and the BSP are deemed expanded, modified and amended to include the exercise of
39 administrative, supervisory and regulatory authority over the EPRI accounts constituted under
40 this Act, including the exercise of quasi-legislative and quasi-judicial powers relative thereto.

41
42 All matters and issues under this Act and specifically pertaining to the EPRI Account shall be
43 within the exclusive jurisdiction of the IC, SEC and the BSP, as stated under Sections 25, 26 and
44 27 hereof.

45
46 **SEC. 25. Functions of the Bangko Sentral ng Pilipinas** – The BSP shall have the following
47 functions:

48
49 1. Formulate, promulgate and implement the needed and required policies, mechanisms and
50 rules, on the following matters, among others:

- a. Qualification and disqualification, and accreditation standards of BSP-supervised financial institutions to act as Investment Managers, including directors and officers thereof;
 - b. Pre-operating requirements of banks to engage in investment management activities;
 - c. Conduct of investment management activities;
 - d. Impose sanctions for violations of any regulations related to its regulatory functions mandated under this law, including restricting the ability to collect excessive or unreasonable fees.
2. Impose administrative sanctions against banks, or its principal officers or majority stockholders, if found to engage in unauthorized investment management activities; and
 3. Undertake other functions as may be necessary for the full and efficient implementation of this Act.

SEC. 26. *Functions of the Securities and Exchange Commission* – The SEC shall have the following functions:

1. Formulate, promulgate and implement the needed and required policies, mechanisms and rules, on the following matters, among others:
 - a. Qualification and disqualification, and accreditation standards of licensed investment company advisers, and other entities or individuals who shall act as Investment Managers, including directors and officers thereof;
 - b. Qualification and disqualification, and accreditation standards for Administrators and Custodians, including directors and officers thereof;
 - c. Reasonableness of fees to be charged by the Administrator and Custodian including the imposition of fee cap as may be necessary;
 - d. Minimum requirements imposed on the Administrators as regards inculcating financial literacy to investors;
 - e. Record-keeping, reporting and audit requirement of Administrators and Custodians pertaining to records for all contributions, earnings and total account balances; and
 - f. Impose penalties for violations of any regulations related to its regulatory functions mandated under this law.
2. Impose administrative sanctions against investment company advisers, fund managers, and other financial entities under the regulatory power of the SEC, or their directors, principal officers, and/or majority stockholders, if found to have engaged in unauthorized investment management activities; and
3. Undertake other functions as may be necessary for the full and efficient implementation of this Act.

Sec. 27. *Functions of the Insurance Commission* – The IC shall, in addition to all other powers and functions vested upon and required of it under this law, have the following functions:

- 1 1. Formulate, promulgate and implement the needed and required policies, mechanisms and rules on
2 the following matters, among others:
3
 - 4 a. Qualification or eligibility of EPRI investment products, in coordination with BSP and
5 SEC;
 - 6 b. Valuation standards for EPRI investments;
 - 7 c. Disclosure requirements on the terms and conditions of the EPRI investments;
 - 8 d. Ascertainment of EPRI Owner's suitability for EPRI products, in coordination with BSP
9 and SEC;
 - 10 e. Impose penalties for violations of any regulations related to its regulatory functions
11 mandated under this law;
 - 12 f. Compromise, release, condone, in whole or in part, any interest, penalty or civil liability,
13 arising from the provisions of this Act; approve or restructure the payment of unpaid or
14 unremitted contributions; and attach, garnish, levy and sell properties of delinquent
15 employers for satisfying long overdue and unremitted collections, subject to the rules
16 and regulations, and such other issuances as may be promulgated by the DOF.
17
- 18 2. Determine the amount of increase in contributions of the employer, employee, or those under
19 voluntary coverage, which shall be subject to periodic review at least once every three (3) years
20 to commence upon the issuance of the implementing regulations fixing the contribution rate
21 pursuant to this Act;
- 22 3. Determine caps on contributions in accordance with Section 14 hereof;
- 23 4. Assist and advise the DOF and DOLE of the review and determination of the desired replacement
24 rate, as mandated under Section 21 hereof;
- 25 5. Submit reports to DOF and DOLE as may be required by them; and
- 26 6. Enlist the aid and support of, and deputize any and all enforcement agencies of the government in
27 the implementation of its powers and functions under this Act;
- 28 7. Undertake other functions as may be necessary for the full and efficient implementation of this
29 Act.
30
31
32

33 **SEC. 28. EPRI Administration and Management.** - The administration, management and
34 custody of the EPRI Account and its Assets shall be undertaken by qualified private companies
35 that shall act as the EPRI Administrator which will be chosen by the employee from among those
36 accredited by the regulatory authorities. An EPRI owner can, however, opt to take self-custody
37 of the EPRI Account and its Assets.

38 **SEC. 29. Functions of EPRI Administrator, Investment Manager and Custodian.** - The EPRI
39 Administrator shall have the following functions:
40
41
42

- 43 1. Oversee, administer, and manage the EPRI Account on behalf of the EPRI Owner;
- 44 2. Undertake reporting on contributions made to the account, computing the values of
45 investments, enforcing EPRI contributions and withdrawal limits, collecting
46 appropriate taxes and penalties for the government, consolidating reports on all
47 investments, income, expenses and withdrawals on the account and ensuring that EPRI
48 contributions are invested in accordance with the prudential guidelines set by the
49 regulatory authorities;
50
51
52
53

- 1
- 2 3. Educate the contributors on the relevant information regarding investments; and
- 3
- 4 4. Report to the EPRI Owner as well as to the concerned regulatory authorities at
- 5 designated regular intervals or periods all the funds, financial transactions and all
- 6 documents under its management and administration and, if applicable, in its custody
- 7

8 The EPRI Administrator, subject to the strict rules and guidelines issued by the regulatory
9 authorities, cannot simultaneously act for the same account as EPRI Custodian or Investment
10 Manager.

11

12 The Custodian shall be responsible for receiving all funds in connection with the EPRI,
13 maintaining custody of all original securities, evidence of deposits or other evidence of
14 investment. The Custodian is required to report to the Contributor and the concerned regulatory
15 authorities at regular intervals all financial transactions and all documents in its custody under the
16 EPRI. The custodian shall be separate from the EPRI Administrator and Investment manager for
17 the same account.

18

19 The investment manager shall make decisions for and in behalf of the EPRI Owner in accordance
20 with the authority granted by the EPRI Owner: *Provided*, That an investment manager shall not
21 be allowed to recommend or sell its own investment products or that of its subsidiaries and
22 affiliates: *Provided*, Further, that an investment manager shall not be allowed to sell investment
23 products that are not accredited by the regulatory authorities. An investment manager cannot
24 simultaneously act as an investment administrator or custodian for the same account.

25

26 **SEC. 30. *Fiduciary Relation and Exercise of Prudence.*** - The EPRI Administrator and
27 Custodian are, at all times deemed to have a fiduciary relationship with the EPRI Owner. The
28 EPRI Administrator and Custodian shall perform their responsibilities and duties and manage,
29 administer and take care of the EPRI under their management and custody with the diligence that
30 a prudent man would exercise in the conduct of an enterprise of a like character and with similar
31 aims.

32

33 **SEC. 31. *Transparency and Regular Audit.*** - The EPRI and the EPRI Administrator and
34 Custodian shall be subject to a regular audit in accordance with the audit and monitoring
35 guidelines promulgated by the SEC and the BSP. Policies and measures for complete transparency
36 promulgated by the SEC and BSP shall be observed and complied with by the EPRI Administrator
37 and Custodian at all times, including EPRI management, administration and custody as well as
38 the costs or expenses incurred relative to such management, administration and custody.

39

40 **SEC. 32. *Transition to EPRI.*** - Employees shall be allowed a one-time option to stay under the
41 coverage of Republic Act No. 7641, otherwise known as the "Retirement Pay Law", or under an
42 existing employee retirement pension plan within one (1) year from the effectivity of this Act,
43 such option to be communicated to the present employer. Failure to exercise such option shall
44 automatically subject the employee under the coverage of this Act. Employees entering the
45 workforce for the first time after the effectivity of this Act shall be governed by the provisions of
46 this Act.

47

48 In case an employee covered by an employee retirement plan opts to be covered by this Act upon
49 its effectivity, the employer shall be mandated to transfer to the EPRI account all contributions
50 made by the employee and the employer, including all fruits and income that have accrued at the

1 time of the transfer. Likewise, existing accounts under the Personal Equity Retirement Act
2 (PERA) can be converted to an EPRI Account under this Act.

3
4 Those who choose to be covered by RA7641 or by an existing employee retirement plan shall be
5 exempted from compliance with this Act. Likewise, those covered by this Act shall no longer be
6 covered by RA 7641.

7
8 The IC shall issue the necessary guidelines to implement this Section.

9
10 **SEC. 33. Penalties for Violations of Act.** - A fine of not less than Fifty thousand pesos
11 (P50,000.00) nor more than Five Hundred thousand pesos (P500,000.00) or imprisonment of not
12 less than six (6) years and one (1) day to not more than twelve (12) years or both such fine and
13 imprisonment, at the discretion of the court, shall be imposed upon any person, association,
14 partnership or corporation, its officer, employee or agent, who, acting alone or in connivance with
15 others, shall commit the following:

- 16
17 a. Failure by the employer to remit the contributions to the EPRI Account: *Provided*
18 *That*, only the civil penalty shall be imposed if the failure is for justifiable reasons;
19 *Provided, Further*, that, for first and second time offenders without justifiable cause,
20 only the civil penalty will be imposed; *Provided, Finally*, that the employer who failed
21 to remit the contributions to the EPRI Account shall pay, besides the contribution, a
22 penalty thereon of two percent (2%) per month from the date the contribution is due
23 until paid;
- 24 b. Act as EPRI Administrator/Custodian or Investment Manager or Advisor without
25 being properly qualified or without being granted prior accreditation by the concerned
26 regulatory authorities;
- 27 c. Knowingly and willfully invest the funds of and EPRI account without authority from
28 the EPRI Owner, or invest such funds in contravention to the instructions of the EPRI
29 Owner;
- 30 d. Knowingly and willfully make any statement in any application, report, or document
31 required to be filed under this Act, which statement is false or misleading with respect
32 to any material fact;
- 33 e. Misappropriate or convert, to the prejudice of the employee or employer, contributions
34 to and investments or income from the EPRI;
- 35 f. By gross negligence, cause any loss, conversion, or misappropriation of the
36 contributions to, or investments from, the EPRI; or
- 37 g. Willful violation of any provision of this Act or the rules and regulations issued
38 pursuant to this Act.

39
40 The above penalty shall not preclude the EPRI Owner and the regulatory authorities from
41 recovering from the Administrator, Custodian or Investment Manager the amount
42 misappropriated or lost in situations covered under (c), (e) and (f) of this Section. The regulatory
43 authorities shall assist, and if warranted, file the case for recovery, for and on behalf of the owner.
44 Any amount spent by the regulatory authorities to pursue the case shall be reimbursed by the
45 EPRI Owner and shall be deducted from the amount recovered.

46
47 Likewise, the above penalties shall be without prejudice to whatever civil or criminal liability
48 provided for under applicable laws that can be imposed for the same act or omission.

1 **SEC. 34. Penalties for Early Withdrawal; Abuse of Tax Exemption and Privileges.** - Any EPRI
2 Owner, who prematurely withdraws from the EPRI Account, unless exempted under Section 22
3 hereof, shall refund or pay to the government an amount equivalent to fifty percent (50%) of any
4 amount withdrawn consisting of income earned by the fund, plus the employer's contributions.
5

6 The amount to be subjected to the penalty shall be the amount withdrawn less the amount of
7 employee contributions at the time of withdrawal.
8

9 **SEC. 35. Non-Assignability and Free from Levy.** - Any provision of law to the contrary
10 notwithstanding, no portion of the EPRI or assets of the EPRI may be assigned, alienated,
11 pledged, encumbered, attached, garnished, seized or levied upon, by or under any administrative,
12 legal or equitable process whatsoever.
13

14 **SEC. 36. Separate Asset.** - The EPRI Assets shall be kept separate and not considered assets of
15 the EPRI Owner for purposes of insolvency and estate taxes.
16

17 **SEC. 37. Re-organization and Augmentation of Personnel Complement.** - The regulatory
18 authorities, in coordination with the Department of Budget and Management and the DOF, are
19 hereby authorized to streamline and augment their human resource component, as well as to create
20 units, divisions or offices, as the case may be, to enable it to effectively and efficiently perform
21 its functions and responsibilities set forth under this Act.
22

23 **CHAPTER 4** 24 **OVERSIGHT RESPONSIBILITY** 25

26 **SEC. 38. Oversight Committee** - There is hereby created a Joint Congressional Oversight
27 Committee (JCOC) to oversee, monitor, and evaluate the implementation of this Act. The JCOC
28 shall be composed of five (5) members each from the House of Representatives and the Senate.
29 The JCOC shall be co-chaired by the Chairpersons of the House Committee on Banks and
30 Financial Intermediaries and the Senate Committee on Banks, Financial Institutions and
31 Currencies.
32

33 The Speaker and the Senate President shall designate the other four members of the JCOC
34 of the House and the Senate from among the members of the House Committee on Banks and
35 Financial Intermediaries and the Senate Committee on Banks, Financial Institutions and
36 Currencies, at least one member of which shall be from the minority.
37

38 **CHAPTER 5** 39 **FINAL PROVISIONS** 40

41 **Section 39. Implementing Regulations** - The DOF, BSP, SEC and IC shall issue regulations to
42 implement the provisions of this law within six (6) months from its effectivity. Within the same
43 period, the Department of Education (DepEd), in consultation with the CMDA, BSP, SEC, IC,
44 and such other agencies as may be called upon by the regulatory authorities, shall promulgate
45 rules and regulations to effectively implement the financial literacy provisions under Sections 7
46 and 8 of this Act.
47

48 **SEC. 40. Separability Clause.** - If any provision or part hereof is held invalid or unconstitutional,
49 the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.
50

- 1
2 **SEC. 41. *Repealing Clause.*** - All laws, decrees, orders, rules and regulations or parts thereof
3 inconsistent with this Act are hereby amended, repealed or modified accordingly.
4
5 **SEC. 42. *Effectivity.*** -This Act shall take effect fifteen (15) days following its publication in the
6 *Official Gazette* or in a newspaper of general circulation in the Philippines.