SEC Memorandum Circular No. 15
Series of 2024

TO : **ALL CONCERNED**

SUBJECT : **GUIDELINES ON SECURITY DEPOSIT OF PERA ADMINISTRATORS**

DATE : 19 **September 2024**

Pursuant to Rule 4.A.5 of the Implementing Rules and Regulations of Republic Act No. 9505 or the Personal Equity and Retirement Account (PERA) Act of 2008 or the PERA Rules requiring security deposit for PERA Administrators to ensure faithful performance and compliance of its duties and obligations under the PERA Rules, the Commission adopts this set of guidelines.

SECTION 1. APPLICABILITY

This circular shall apply and cover all PERA Administrators which were issued a Qualification Certificate by the Securities and Exchange Commission.

SECTION 2. DEFINITION OF TERMS

1. **"Personal Equity and Retirement Account (PERA)"** refers to the voluntary retirement account established by and for the exclusive use and benefit of the Contributor for the purpose of being invested solely in PERA investment products in the Philippines. The Contributor shall retain the ownership, whether legal or beneficial, of funds placed therein, including all earnings of such funds.

2. **"Commission"** refers to the Securities and Exchange Commission.

3. **"Administrator"** is an entity accredited by the Bureau of Internal Revenue (BIR), after pre-qualification by the concerned Regulatory Authority. The Administrator shall be responsible for overseeing the PERA, whose core functions shall include, but not limited to: reporting on contributions made to the account, computing the values of investments, educating the Contributor, enforcing PERA contributions and withdrawal limits, collecting appropriate taxes and penalties for the government, securing BIR Income Tax Credit Certificates for the Contributor, consolidating reports on all investments, income, expenses and withdrawals on the account and ensuring that PERA contributions are invested in accordance with the prudential guidelines set by the Regulatory Authorities.

4. **"Regulatory Authority"** refers to the Bangko Sentral ng Pilipinas (BSP) as regards banks, other supervised financial institutions and trust entities, the Securities and Exchange Commission (SEC) for investment companies, investment houses stock brokerages and pre-need plan companies, and the Office of the Insurance Commission (OIC) for insurance companies.

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5. **"Government Securities"** are debt instruments such as bonds or any evidence of indebtedness, of the Government of the Philippines, its political subdivisions and instrumentalities, or of government-owned or controlled corporations and entities.

SECTION 3. PROCEDURES FOR THE SUBMISSION AND ACCEPTANCE OF SECURITY DEPOSIT

The following procedures shall be observed in the submission and acceptance of securities deposit:

1. A written application to deposit securities mandated by the PERA Act and Rules shall be filed with the Commission, signed by the Administrator's authorized representative, not later than forty-five (45) days from the commencement of the operation of the market participant as PERA Administrator;

2. The Commission shall determine whether or not the securities deposited are acceptable, i.e., Government securities whose actual market value is equivalent to one percent (1%) of the book value of the total volume of PERA assets held by the Administrator or such other amount as the Commission may impose;

3. The securities submitted to the Commission shall be indorsed in blank;

4. The applicant shall submit an Authorization Letter authorizing the Commission to withdraw, dispose and disburse the proceeds of PERA security deposit to settle any claims arising from the breach of its obligations and duties as evidenced by a final and executory court order. Such authorization letter shall be signed by the Administrator's President or duly authorized representative;

5. If the Commission determines that the security deposit is acceptable and sufficient in value, the Commission shall issue a Certificate of Acceptance of Deposit containing an inventory of such securities deposited.

SECTION 4. ACCEPTABLE SECURITIES

Government securities equivalent to one percent (1%) of the book value of the total volume of PERA assets, or such other amount as the Commission may impose, shall be held by the Administrator as a security and shall be earmarked in favor of the Commission, for the faithful performance of its duties. The security shall be in addition to and shall be treated separately from the capital, surplus and undivided profits of the Administrator.

SECTION 5. REPORTORIAL AND OTHER REQUIREMENTS

PERA Administrators, duly pre-qualified by the Commission and accredited by the BIR, shall submit the following to the Commission:

1. Quarterly reports showing the sufficiency of the security deposit based on the average value of the administered assets for the quarter. The quarterly reports shall be submitted not later than the 15th day from the last month of every quarter.

2. An annual fee equivalent to the rates provided under SEC Memorandum Circular No. 17, series of 2016 or such other relevant regulations or amendments prescribed thereto[1] shall be charged per year by the Commission upon filing of said application to cover payment of space in the vault with the Commission's secured premises at the Financial Management Department - Treasury Division;

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[1] Guidelines on the Applications for Payment of Annual Fees of Capital Market Participants.

3. Other requirements as may be required by the Commission.

SECTION 6. REPLENISHMENT OF THE REQUIRED SECURITY DEPOSIT

Should the PERA Administrator fail to maintain the necessary security deposit, the PERA administrator shall notify the Commission immediately and replenish the same within a non-extendible period of one (1) week from the end of every quarter. This shall be without prejudice to the Commission's determination on quarterly basis the sufficiency of the security deposit based on the average value of the administered assets for the quarter. Failure to comply with this section shall be subject to the sanctions provided under Sec. 8 of this Circular.

SECTION 7. PROHIBITION ON WITHDRAWAL, TRANSFER OR REPLACEMENT OF EARMARKED SECURITIES

The Administrator shall not withdraw, transfer or replace such earmarked securities without prior written instruction from the Commission.

SECTION 8. FINES AND PENALTIES FOR NON-COMPLIANCE

The following fines and penalties shall be imposed for failure to replenish any deficiency of security deposit within the period stated in Sec. 6 hereof and any other violation of this circular:

1st Violation	-	Php 50,000
2nd Violation	-	Php 100,000
3rd Violation	-	Php 150,000 and revocation of Administrator's Qualification Certificate.

SECTION 9. EFFECTIVITY CLAUSE

This circular shall take effect immediately after its complete publication in the *Official Gazette* or in two (2) newspapers of general circulation in the Philippines.

Makati City, Metro Manila, 19 September 2024.

EMILIO B. AQUINO
Chairperson