

HOUSE OF REPRESENTATIVES

H. No. 6608

BY REPRESENTATIVES ROMUALDEZ (F.M.), DALIPE, QUIMBO, MARCOS, ROMUALDEZ (Y.M.), ACIDRE, TIENG, SALCEDA, HARESCO, TY, CUA, KHO (R.), DUAVIT, SINGSON-MEEHAN, MADRONA, VILLAR, GONZALES (A.), BARONDA, GARCIA (A.), CO (A.N.), PUNO, PIMENTEL, ROBES, ALBANO, DELOS SANTOS, PUMAREN, PALMA, TEVES (J.), SUAREZ, GARIN, LACSON-NOEL, BOLILIA, DEFENSOR, PRIMICIAS-AGABAS, GONZALES (N.), NOLASCO, GONZALEZ, COLADA, PANALIGAN, DIONISIO, DY (F.), KHONGHUN, BONGALON, ATAYDE, ROQUE, TARRIELA, RILLO, SUANSING (M.A.), ESPARES, ORTEGA, ESTRELLA, ACHARON, ZAMORA (Y.M.), VILLA, KHO (O.), FRASCO, LEGARDA, YAP (C.), YAP (ERIC), RODRIGUEZ (E.), GUINTU, SORIANO, VERGARA, LAGON (D.), LAGON (S.), BRIONES, ARROGANCIA, FLORES, REYES, GATCHALIAN, ALVAREZ (J.), ARENAS, DAGOOC, MAGSINO, CALDERON, GO (M.), MACAPAGAL-ARROYO, GOLEZ, MATUGAS, BAUTISTA, VIOLAGO, NOGRALES (M.I.), YU (D.G.), TAMBUNTING, CHUNGALAO, VELASCO, GASATAYA, FUENTEBELLA, LOYOLA, VALMAYOR, SAGARBARRIA, CAMPOS, MARQUEZ, COLLANTES, RIVERA, GATO, VILLARICA, BULUT-BEGTANG, MATIBAG, DAZA, GARCIA (D.), YU (J.V.), MASTURA, ROMUALDO, AQUINO, SUAN, CAGAS, ENVERGA, DY (F.M.C.), SALIMBANGON, CARI, PADIERNOS, DOMINGO, MARTINEZ, ESPINA, EUDELA, BARBERS, BUHAIN, VALERIANO, SALI, EMANO, CASTRO (J.), ANG, ORDANES, TIANGCO, TANJUATCO, GARCIA (J.A.), ASISTIO, OLIVAREZ, MACEDA, LUISTRO, MOMO, TULFO (J.), OUANO-DIZON, FORTES, BAUTISTA-LIM, SALO, ABANTE, LARA, ABALOS, BARBA, SINGSON (R.), TUPAS, GARCIA (M.A.), CHAN, BASCUG, GORRICETA, YULO, ONGCHUAN, NISAY, GARDIOLA, ZAMORA (M.C.), CHUA, AMANTE, PEÑA, SILVERIO, OAMINAL, CUARESMA, MERCADO-REVILLA, DAYANGHIRANG, CARDEMA, ARBISON, RODRIGUEZ (R.), ECLEO, BENITEZ, REVILLA (R.J.), TALLADO, ALVAREZ (M.), CABREDO, PASCUAL, LAZATIN, CO (E.), ZAMORA (A.M.), GO (E.C.), LACSON, NAVA, CAOAGDAN, VILLARAZA-SUAREZ, CRUZ (A.), REVILLA (B.), VARGAS, ADVINCULA, AQUINO-MAGSAYSAY, BERNOS, PANCHE, CAJAYON-UY, SUANSING (H.), SOLON, RAMA, BONDOC, SALVAME, CORVERA, TOLENTINO, TAN (J.), BUSTOS, MIGUEL, ANGARA, DEL MAR, SAULOG, PLEYTO, SAKALURAN, VARGAS-ALFONSO, KHO (W.), MARAÑON, LIMKAICHONG, TAN (R.M.), VELOSO-TUAZON, MERCADO, UNABIA, YAP (C.T.), VILLAFUERTE (M.L.), HORIBATA, AGARAO, OLASO, LABADLABAD, MARIANO-HERNANDEZ, ALONTE, GOMEZ, GONZAGA, FERNANDEZ, MORDEN, TAN (K.M.), ESCUDERO, ADIONG, TEODORO, SANTOS, GULLAS, COJUANGCO (J.), BARZAGA, SACDALAN, PADUANO, LEE, YAP (EDVIC), TAMAYO, DE JESUS, ENCISO, GARCIA (V.), GALEOS, MANQUIZ, CALIXTO, TULFO (R.W.), TAN (S.J.), VILLAFUERTE (L.R.), DE VENECIA, CHATTO, AUMENTADO, TUTOR, MANGAOANG, ABUNDA, MENDOZA, ALMONTE, DALOG, DUJALI, GUICO, BALINDONG, ROMAN, ALMARIO, DIMAPORO (S.A.), HERNANDEZ, BIRON, MARIÑO, MALAPITAN, TAN (S.), CRUZ (R.), JAVIER, COJUANGCO (M.), DY (I.P.), SINGSON (R.V.), UNGAB, DIMAPORO (M.K.), NOGRALES (J.F.F.), TANCHAY, MARCOLETA, TAN-TAMBU, ACOP, FERRER (A.), FERRER (J.M.), ALBA, REGENCIA, CO-PILAR AND HAGEDORN, PER COMMITTEE REPORT NO. 237

AN ACT
ESTABLISHING THE MAHARLIKA INVESTMENT FUND,
PROVIDING FOR THE MANAGEMENT, INVESTMENT, AND USE
OF THE PROCEEDS OF THE FUND, AND APPROPRIATING FUNDS THEREFOR

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 “*Maharlika Investment Fund Act*”.

1 **Sec. 2. Declaration of Policy.** – It is the policy of the State to create jobs, promote trade and
2 investments foster technological transformation, strengthen connectivity, expand infrastructure,
3 achieve energy and food security. The State recognizes the vital role of various investments in
4 financial assets in promoting economic growth, accelerating job creation, and improving the
5 welfare of Filipinos. The State acknowledges the need to preserve and optimize the use of
6 government financial assets, and promote intergenerational management thereof for
7 macroeconomic stability.

8
9 Towards this end, the State shall establish an independent Maharlika Investment Fund by investing
10 national funds, and coordinating and strengthening the investment activities of the country's top-
11 performing Government Financial Institutions (GFIs) to promote economic growth and social
12 development.

13 14 **ARTICLE I** 15 **Definition of Terms** 16

17 **Sec. 3. Definition of Terms.** – As used in this Act:
18

- 19 a) **Advisory Body** refers to the body established under this Act which shall provide
20 guidance, counsel and advice to the Board of Directors of the Maharlika Investment
21 Corporation (MIC);
22
- 23 b) **Board of Directors (Board)** refers to the governing body of the MIC;
24
- 25 c) **Founding GFIs** refer to the Land Bank of the Philippines (LBP) and Development
26 Bank of the Philippines (DBP);
27
- 28 d) **Funding Sources** refers to the investment required of the founding GFIs, the National
29 Government (NG), Philippine Amusement and Gaming Corporation (PAGCOR),
30 declared dividends of the Bangko Sentral ng Pilipinas (BSP), and such other sources
31 that may contribute to finance the MIF;
32
- 33 e) **Independent Director** refers to a person who is independent of management and the
34 controlling shareholder, and is free from any business or other relationship which
35 could, or could reasonably be perceived to, materially interfere with his exercise of
36 independent judgment in carrying out his responsibilities as a director;
37
- 38 f) **Maharlika Investment Fund (MIF or Fund)** refers to the fund created under this Act;
39
- 40 g) **Maharlika Investment Corporation (MIC)** refers to the State investment body,
41 created under this Act which shall be responsible for the overall governance and
42 management of the MIF; and
43
- 44 h) **“Santiago” Principles** refers to the twenty-four (24) Generally Accepted Principles
45 and Practices (GAPP) voluntarily endorsed by the International Forum of Sovereign
46 Wealth Funds (IFSWF) members. The GAPP for Sovereign Wealth Funds (SWFs) are

designed as guidelines that assign best practices for the operations of SWFs. They are the rules followed by SWF that promote stability in the global financial system, set proper controls on investment risks, and implement sound governance structure.

ARTICLE II

Maharlika Investment Fund

Sec. 4. Establishment of the Maharlika Investment Fund. – There is hereby created a Maharlika Investment Fund (MIF), an independent fund, that adheres to the principles of good governance, transparency, and accountability. Initially, the Fund shall be sourced from the investible funds of select GFIs, from contributions of the National Government, from the declared dividends of the BSP and other sources of funds as provided in this Act.

The Fund shall be used to invest on a strategic and commercial basis in a manner designed to promote fiscal stability for economic development, and strengthen the top-performing GFIs through additional investment platforms that will help attain the National Government’s priority plans.

Sec. 5. Ownership of the Maharlika Investment Fund. – The legal ownership of the MIF shall pertain to the Fund investors in proportion to their contributions.

Sec. 6. Objectives of the Maharlika Investment Fund. – The objectives of MIF are to promote economic development by making strategic and profitable investments in key sectors to preserve and enhance long-term value of the Fund, obtain the optimal absolute return and achievable financial gains on its investments, and to satisfy the requirements of liquidity, safety/security, and yield in order to ensure profitability. In pooling the investible funds from the GFIs and channeling them to diversified financial assets and development projects, the MIC’s activities shall contribute to a prudent and transparent management of the government resources.

ARTICLE III

Maharlika Investment Corporation

Sec. 7. Establishment of the Maharlika Investment Corporation. – There is hereby created the Maharlika Investment Corporation (MIC), an independent corporate body, that shall act as a vehicle for the purpose of mobilizing and utilizing the MIF for investments in transactions that will enable the Fund to reap optimal returns on investments (ROIs), while contributing to the overall goal of reinvigorating job creation and poverty reduction by steering the economy back to its high-growth path. The MIC shall govern and manage the Fund in accordance with the objectives and purposes set forth in this Act, and it shall adhere to internationally-accepted standards of transparency and accountability. In addition to the Codes of Ethical Standards and Proper Conduct that the Board shall establish, the Corporation shall abide by the fit and proper rule under the Implementing Rules and Regulations of Republic Act No. 2629 or the Investment Company Act, Ethical Standards under the Securities Regulation Code, and Ethical Standards set by the

1 International Organization of Securities Commissions (IOSCO) and other significant international
2 organizations of investment entities.

3
4 All transactions of the MIC shall abide by the arm's length principle and the prudent person rule.
5 The provisions of Republic Act No. 8799 or Securities Regulation Code, Republic Act No. 8791
6 or the General Banking Law, Republic Act No. 2629 or the Investment Company Act, their
7 respective implementing rules and regulations, and other relevant laws, rules, regulations, and
8 issuances by regulating authorities governing transactions with and among directors, officers,
9 stockholders and related interests shall apply to the MIC.

10
11 **Sec. 8. Place of Business.** – The MIC shall have its principal place of business in Metro Manila,
12 but may maintain branches, agencies and correspondents in such other places, within and without
13 the Philippines, as the proper conduct of its business may require.

14
15 **Sec. 9. Corporate Powers.** – The MIC is hereby authorized to adopt, alter, and use a corporate seal
16 which shall be judicially noticed; to enter into contracts; to lease or own real and personal property,
17 and to sell or otherwise dispose of the same; to sue and be sued; and otherwise to do and perform
18 any and all things that may be necessary or proper to carry out the purposes of this Act.

19
20 The MIC may acquire and hold such assets and incur such liabilities in connection with its
21 operations authorized by the provisions of this Act, or as are essential to the proper conduct of such
22 operations.

23
24 The MIC may compromise or release, in whole or in part, any claim of or settled liability
25 to the MIC, regardless of the amount involved, under such terms and conditions as may be
26 prescribed by the Board of Directors, upon favorable recommendation of the Advisory Body, to
27 protect the interests of the MIC and the integrity of the MIF.

28
29 **Sec. 10. Functions of the Maharlika Investment Corporation.** – In carrying out its objectives and
30 functions, the MIC shall:

- 31
- 32 a) Establish a diversified portfolio of investments in the local and global financial markets
33 and in other assets that promote the objectives of the Fund;
 - 34
 - 35 b) Manage and invest the initial and future contributions to the Fund in accordance with this
36 Act;
 - 37
 - 38 c) Accept and manage investment mandates whose investment purpose is to increase income
39 for development goals;
 - 40
 - 41 d) Develop and foster skills in finance, economics, risk mitigation, good governance and other
42 related areas, consistent with the capacity and capabilities build-up of human resources in
43 the industry; and
 - 44
 - 45 e) Implement international best practices in investing and managing assets in accordance with
46 the internationally-accepted standards and principles of transparency and accountability.

Sec. 11. Capitalization and Funding. – The initial capitalization shall be sourced as follows:

- I. LBP - Fifty billion pesos (P50 billion); and
- II. DBP - Twenty-five billion pesos (P25 billion)

Each founding GFI may increase its investment above the required equity contribution.

The founding GFIs shall be entitled to prudential and other regulatory reliefs, as may be determined by the BSP, to promote the financial soundness of these financial institutions while contributing to the overall objective of the MIF.

Investments of contributors may be in the form of marketable or convertible securities, and other forms, as may be determined by the Board of Directors: *Provided*, That security or debt instruments issued by the MIC to GFIs shall be guaranteed by the NG: *Provided, further*, That all other instruments of MIC shall be subject to laws, rules, and regulations on the contracting of debt and issuance of guarantees by GFIs. Other GFIs and government-owned or -controlled corporations may be authorized to contribute to the MIF, subject to their respective investment and risk management strategies. additional funding may likewise be sourced from investments of private financial institutions and corporations, as may be determined by the Board of Directors.

The manner of attribution of equity, such as units of participation, due to subsequent contributions to the fund shall be determined in the IRR of this Act.

Subsequent annual contributions to the fund shall be provided as follows:

- i. For the first and second fiscal year upon effectivity of this Act, the BSP shall remit one hundred percent (100%) of its declared dividends, as computed under R.A. No. 7653, as amended by R.A. No. 11211, to the Fund. In the succeeding fiscal years, the BSP shall remit fifty percent (50%) of its declared dividends to the Fund and the remaining fifty percent (50%) to the NG to fund the increase in the capitalization of BSP in accordance with Section 2 of R.A. No. 7653, as amended by R.A. No. 11211, until the increase in the capitalization of BSP has been fully paid. thereafter, BSP shall remit one hundred percent (100%) of its declared dividends to the Fund.
- ii. PAGCOR and other government-owned gaming operators shall contribute at least ten percent (10%) of gross gaming revenue streams created after the effectivity of this Act;
- iii. Other sources such as royalties and/or special assessments on natural resources based on the fiscal regime to be implemented by the national government, proceeds from privatization of government assets, and borrowings by the MIF.

The foregoing annual contributions shall be subject to the automatic review of the Secretary of Finance every five (5) years, taking into consideration the adequacy of the fund in relation

1 to the objectives of this act, the fiscal condition of the NG the condition of the investing GFIs,
2 GOCCs, and other government entities in relation to their exposure to the fund and the overall
3 economic environment.
4

5 Under no circumstance shall the GOCCs providing for the social security of government
6 employees, private sectors, workers and employees, and other sectors and subsectors, such as
7 but not limited to the Government Service Insurance System, Social Security System, and
8 Home Development Mutual Fund, be requested or required to contribute to the MIF. To protect
9 the retirement and other social security benefits of their members, no part of the funds of said
10 GOCCs shall accrue to the MIF.
11

12 ***Sec. 12. Administrative and Operational Expenses of the Maharlika Investment Corporation. –***

13 The Board of Directors of the MIC is authorized to disburse from the Fund such amounts as may
14 be necessary for administrative and operating expenses, the total of which shall not exceed two
15 percent (2%) of funds managed: *Provided*, That the Board of Directors shall set annual targets to
16 reduce operating and administrative expenses as a share of funds managed: *Provided, further*, That
17 the Secretary of Finance may reduce the allowed expense ratio.
18

19 For the initial operations of the MIC, the Board of Directors is authorized to disburse for its
20 administrative and operating expenses at a total amount not exceeding two percent (2%) of its
21 initial capitalization.
22

23
24 **ARTICLE IV**
25 **Investments**
26

27 ***Sec. 13. Allowable Investments.*** – Subject to strict compliance with Investment and Risk
28 Management Guidelines, the Board of Directors of the MIC shall authorize the following
29 investments:
30

- 31 a) Cash, foreign currencies, metals, and other tradeable commodities;
- 32
- 33 b) Fixed income instruments issued by sovereigns, quasi-sovereigns and supranationals;
- 34
- 35 c) Domestic and foreign corporate bonds;
- 36
- 37 d) Listed or unlisted equities, whether common, preferred, or hybrids;
- 38
- 39 e) Islamic investments, such as Sukuk bonds;
- 40
- 41 f) Joint Ventures or Co-Investments;
- 42
- 43 g) Mutual and Exchange-traded Funds invested in underlying assets;
- 44
- 45 h) Commercial real estate and infrastructure projects;
- 46

- i) Loans and guarantees to, or participation into joint ventures or consortiums with Filipino and foreign investors, whether in the majority or minority position in commercial, industrial, mining, agricultural, housing, energy, and other enterprises, which may be necessary or contributory to the economic development of the country, or important to the public interest; and
- j) Other investments as may be approved by the Board.

Investments in real estate, infrastructure and other development projects, whether alone or in partnership with other corporate entities shall be limited to National Economic Development Authority Board - approved major capital projects to ensure that these are in line with the socio-economic development program of the government.

Subject to the rules and regulations to be promulgated by the MIC Board, the advice of the Advisory Body shall be sought by the same Board in case of transactions, such as investments and spending that will affect: (1) the Balance of Payments; and (2) monetary aggregates, like those which impact domestic liquidity and reserve money.

In no case shall the MIC acquire a controlling stake in its investee entities. In investee entities where the MIC acquires a position, the MIC may participate in corporate governance and policymaking at the level of the Board of Directors or Trustees of the investee entity, but shall not be directly or actively involved in its day-to-day management and operations.

Sec. 14. Prohibited Investments. – In no case shall the MIC, in whatever manner or devise, invest in the following:

- (a) Activities and investments related to, and entities with a record of commission of human rights violations, including but not limited to indigenous peoples, farmers, fisherfolk, and labor;
- (b) Activities and investments related to, and corporations involved in the production of cluster munitions, nuclear arms, intercontinental ballistic missiles, and similar technologies and equipment;
- (c) activities and investments resulting in, corporations with a record of serious degradation of the environment; and
- (d) Similar activities, investments and corporations.

Sec. 15. Investment Policy. – The Board of Directors shall formulate written policies in relation to the following matters:

- (a) Directions on the acceptable balance between risk and return of the overall portfolio;
- (b) Investment policies, mandates, strategies, and guidelines on financing infrastructure projects and other investments;
- (c) Risk management for the investments;

- 1 (d) Standards for assessing the investment performance;
2
3 (e) Matters relating to international best practices for institutional investments;
4
5 (f) Matters specific to rules and regulations where investments are domiciled;
6
7 (g) Procedural framework and cooperation among investors, including fund commitments,
8 co-investments, voting requirements, exit mechanisms, and other matters pertaining to
9 the pooling of funds and the management thereof;
10
11 (h) Matters relating to the procedure for assessing, deploying, and liquidating investments;
12 and
13
14 (i) All other matters needed to be discussed to guarantee compliance with the objectives
15 of the MIF.
16

17 In the formulation of its investment policies, the Board of Directors shall be guided by the principle
18 that priority must be given to investing in government infrastructure and other developmental
19 projects which would yield the highest return on investment coupled with the developmental impact
20 of lower cost of living and lower cost of basic commodities. The Board of Directors shall ensure
21 that policies formulated are consistent with the objectives of the Fund, and the same shall be subject
22 to periodic review: *Provided*, That, should a particular sub-fund remain unprofitable for a period of
23 three (3) years, said sub-fund shall be closed.
24

25 ***Sec. 16. Limitations and Safeguards on the Maharlika Investment Fund.*** – The management of
26 the MIF shall be subject to a set of investment policies, guidelines, and risk management limits
27 and procedures, as approved by the Board of Directors, upon due consideration of the
28 recommendations of the Advisory Body. Investment and risk management strategies of the MIC
29 shall be in line with the policies and objectives hereunder stated to ensure the long-term viability
30 of the Fund.
31

32 ***Sec. 17. Fees and Charges on the Establishment of the Maharlika Investment Fund.*** – Third
33 party fees and all charges incurred in connection with the establishment and effective management
34 of the MIF, such as custody fees, transaction fees, clearing fees, and management fees payable to
35 external fund managers, shall be charged against the MIF, in accordance with the applicable
36 policies on fund disbursements.
37

38 ***Sec. 18. Withdrawals.*** – Subject to the exit mechanism guidelines to be set by the Board and
39 concurred to by the Advisory Body, withdrawals from the Fund shall be made only after at least
40 five (5) years of investment activities. The notice period for any withdrawal is one year or
41 shortened as determined by the Board. The capital of the MIC shall not be withdrawn if its effect
42 would be to diminish the MIF to an amount less than the real value of the MIF at its inception.
43
44

45 **ARTICLE V**
46 **Governance**

Sec. 19. Board of Directors. – There shall be fifteen (15) members of the Board composed as follows:

- (a) The Secretary of Finance shall sit as the chairperson;
- (b) Chief Executive Officer of the MIC;
- (c) President of LBP;
- (d) President of the DBP;
- (e) Six (6) regular members, representing the contributors to the fund, with the seats distributed in proportion to their corresponding investments; and
- (f) Five (5) independent directors from the private sector, the academe, business sector, and investment sector.

The independent directors shall be chosen by the advisory body. The advisory body shall ensure that the selected members of the Board are with proven probity, competence, expertise and experience in finance, economics, investments, business management, or law, and are highly capable to contribute to the attainment of the objectives and purposes of the MIF.

The regular members of the Board shall be citizens of the Philippines, at least thirty-five (35) years of age, and must be of good moral standing and reputation, of recognized probity and independence, and have substantial experience and expertise in any of the following: (i) corporate governance and administration, (ii) investment in financial assets, (iii) management of investments in the global and local markets.

The specific guidelines in this Section, including the rules on appointment, election and termination of membership in the Board, shall be provided in the implementing rules and regulations (IRR) of this Act.

Sec. 20. Powers and Functions of the Board of Directors. – The primary function of the Board of Directors is to govern and manage the MIC, its assets, and investments in accordance with this Act. As the specific functions of the Board shall include the following:

- (a) To direct the management and operations, and administration of the MIC;
- (b) To approve and implement the Investment and Risk Management Guidelines and such other investment policies, guidelines, and parameters to effectively carry out the purposes of this Act;
- (c) To set minimum criteria and targets for investments;
- (d) To oversee the investment processes which may include asset allocation, portfolio construction, monitoring, and risk management;
- (e) To approve the issuance of debt and debt-like instruments;
- (f) To develop strategies (short-, medium-, and long-term) appropriate for investments;
- (g) To regularly meet and consult with the Advisory Body;
- (h) To engage and/or appoint an International Advisory Consultant/Council whose main responsibility is to advise the Board on its development strategy and investment business, equip executives and management with insights on geopolitical and macro-

- 1 economic issues, international financial market conditions, and global investment
2 trends;
- 3 (i) To engage external fund managers and investment advisors, as may be necessary, to
4 manage the MIF;
- 5 (j) To exclusively determine the organizational structure, staffing pattern, and number of
6 personnel of the MIC, define their duties and responsibilities, and fix their
7 compensation and other emoluments, including bonuses and the performance bonus
8 authorized under Section 28 of this Act, notwithstanding any provisions of law, rules
9 and regulations, issuances, to the contrary;
- 10 (k) To exclusively prescribe a system for performance standards and evaluation for
11 officials and employees of MIC;
- 12 (l) To exclusively set the criteria and procedures for termination of employment of
13 officials and employees for:
- 14 i. Gross violation of the provisions in this Act or investment policies and guidelines
15 set by the Board of Directors;
- 16 ii. Commission of acts inimical to the MIF or the Republic of the Philippines, such
17 as any loss suffered by the Fund caused by negligence, willful misconduct, fraud,
18 or actions in breach of any Investment Agreement; and/or
- 19 iii. Failure to meet performance standards set by the Board of Directors.
- 20 (m) To appoint key and critical officials and employees as may be necessary to assist the
21 Board of Directors in carrying out its functions;
- 22 (n) To submit semestral reports on investment performance to the Advisory Body and to
23 the President of the Republic of the Philippines;
- 24 (o) To review and certify the MIC/MIF financial statements;
- 25 (p) Act as Trustee of the MIF and such other assets as may be assigned to it and direct how
26 its assets are managed;
- 27 (q) To constitute an audit committee which shall recommend to the Board and to
28 shareholders during the annual shareholders' meeting the engagement of an external
29 auditor and oversee the internal and external audits mandated under this act; and
- 30 (r) To perform other functions, duties and responsibilities necessary, related and incidental
31 to the performance of the above-mentioned powers and functions.
- 32
33

34 ***Sec. 21. Duties and Qualifications of the Chief Executive Officer (CEO).*** – The CEO shall direct
35 and supervise the operations and internal administration of the MIC, and shall be charged with the
36 risk management, financial performance, human resources, accounting and legal affairs of the
37 corporation. Such powers and duties include:

38

- 39 (i) Prepare the agenda for the meetings of the BOD and to submit for the consideration of
40 the BOD the policies and measures which are necessary to carry out the purposes and
41 provisions of this Act;
- 42 (ii) Execute and administer the policies and measures approved by the BOD;
- 43 (iii) Develop the MIC's business prospects by studying economic trends and revenue
44 opportunities; projects acquisition and expansion prospects; and oversee financial
45 performance and risk profiles while ensuring that all of regulatory obligations are met;

- (iv) Appoint and fix the remunerations and other emoluments of rank and file employees and other personnel not holding key and critical positions in accordance with the position and compensation plans approved by the BOD, as well as to impose disciplinary measures upon personnel of the MIC: *Provided*, That the removal of personnel shall be with the approval of the BOD; and
- (v) Exercise such other powers as may be vested by the Board of Directors.

The CEO, in the discharge of its functions, may delegate certain of his administrative responsibilities to other officers of the MIC.

The CEO shall work closely with the executive management and the Board and must have (i) exceptional experience and expertise in corporate management, financial planning strategy, strategic planning and vision, market and business development, budget development; (ii) has at least ten (10) years management experience, including extensive commercial lending/credit administration experience; (iii) in-depth understanding of the industry including risk management, compliance, and regulatory requirements; (iv) and strategic knowledge of cash flow and capital planning management.

Sec. 22. Duties and Qualifications of the Chief Investment and Operating Officer (CIOO). – The CIOO is responsible for regular administration duties of all investment files, communicating investment strategy and policies, managing and developing a team of financial analysts and investment professionals, supervising risk management across portfolios and that sound investment policies are followed.

The CIOO must have a degree in finance or a relevant experience in the field and has proven expertise in managing a team of financial analysts and investment professionals.

Sec. 23. Quorum and Meetings of the Board. – The Board of Directors shall meet at least once every month from the effectivity of this Act. It may hold special meetings to consider urgent matters upon call of the Chairperson or upon initiative of at least two (2) members of the Board of Directors.

In order to constitute a quorum in Board meetings, a majority of the total membership of the Board, or at least eight (8) members, shall be present. The approval by a majority of all members of the Board, or at least eight (8) members, shall be required to constitute a decision of the Board.

The Board of Directors shall maintain and preserve a complete record of the proceedings and deliberations of the Board of Directors, including the tapes and transcripts of the stenographic notes, either in the original form or in microfilm. The meetings of the Board of Directors may be conducted through modern technologies such as teleconferencing and videoconferencing.

Sec. 24. Compensation of the Chairperson and Members of the Board of Directors. – The Chairperson and the Members of the Board of Directors shall be entitled to honoraria and/or other reasonable allowances, and/or per diem for each meeting actually attended, and shall be reimbursed for actual and reasonable expenses incurred in the performance of their duties and functions. The rate of the per diem shall be fixed by the Board. The maximum per diem per Regular

1 or Special Board meeting actually attended provided to members of the Board of Directors shall
2 be based on the size of the Corporation but not to exceed the maximum annual amounts as received
3 by members of the Monetary Board of the BSP.

4
5 The salary of the Independent Members of the Board of Directors from the private sector shall be
6 fixed based on the rules set under Section 28 of this Act.

7
8 **Sec. 25. Risk Management Unit.** – In accordance with the manner provided in the MIC by-laws,
9 the Board of Directors shall organize a Risk Management Unit composed of five (5) members as
10 follows: one (1) professional with proven competence and experience in finance, economics,
11 investment, business management, or law, and must exhibit independence and objectivity; and four
12 (4) members consisting of two (2) senior executives of the MIC, one (1) independent director, and
13 one (1) auditor.

14
15 The Risk Management Unit shall ensure that the MIC is taking the appropriate measure to achieve
16 a prudent balance between risk and reward in both ongoing and new business activities, taking
17 careful consideration of risk identification, risk measurement and assessment, risk mitigation, risk
18 reporting and monitoring, and risk governance towards a risk-informed approach to the
19 capitalizations of the MIC.

20
21 **Sec. 26. Advisory Body.** – An Advisory Body is hereby created which shall be composed of the
22 Secretary of the DBM, the Director General of NEDA, and two (2) members from the private
23 sector: the President of the Philippine Stock Exchange and the President of the Bankers
24 Association of the Philippines.

25
26 **Sec. 27. Powers and Functions of the Advisory Body.** – The Advisory Body shall exercise the
27 following powers and functions:

- 28
29 (a) Advise and assist the Board of Directors in the formulation of the general policies
30 related to investment and risk management, and other matters as may be necessary to
31 carry out the provisions and purposes of this Act;
32
33 (b) Advise and provide guidance on issues pertaining or related to the plans and projects
34 of the MIF; and
35
36 (c) Perform other functions, duties and responsibilities, as it may deem necessary.

37
38 The Advisory Body shall not take part in the management or control of the MIF.

39
40
41 **ARTICLE VI**
42 **Rewards, Incentives and Termination**
43

44 **Sec. 28. Rewards and Incentives.** – The officials, employees and staff of the MIC shall be entitled
45 to honoraria, performance bonus, or any similar performance-based compensation as may be
46 determined by the Board and as approved by the President of the Philippines, taking into

1 consideration, among others, the performance of the Fund, the performance of the individual
2 employee or officer, and industry standards and practices. The criteria for the grant of rewards and
3 incentives shall be determined in the IRR, including the formula for the computation of any amount
4 that will be granted to the Board of Directors, officials, employees, and staff of the MIC.
5 Considering the nature of the fund's intended investments, the criteria and formula shall consider
6 long-term performance of the Fund, acquisition and retention of talent, and the rates of
7 comparators.

8
9 ***Sec. 29. Effect of Separation.*** – Notwithstanding the separation of an official or employee from
10 MIC, the provision of Section 28 shall apply to the performance bonus that said officer or employee
11 is entitled to receive on account of actual performance by the separated official or employee during
12 the period covered by the performance bonus.

13 14 15 **ARTICLE VII** 16 **Exemptions and Privileges** 17

18 ***Sec. 30. Exemptions from the GOCC Governance Act of 2011.*** – The President of the Republic
19 of the Philippines recognizes the strict requirements set for the GFIs forming the MIC in that they
20 have higher standards of knowledge and expertise in the fields of finance, economics, risk, and
21 governance, and that there is a need for flexibility to operate, function, employ and retain
22 employees to ensure the successful implementation of the goals of the MIC. In this regard, MIC
23 shall be exempted from the coverage and all of the provisions of Republic Act No. 10149 or the
24 “GOCC Governance Act of 2011” except Sections 15 in accordance with Sec. 19 (e) of this Act,
25 19, 25, and 26 on the fiduciary duties of the board and officers, full disclosure, and special audit.

26
27 ***Sec. 31. Tax Exemptions.*** – Any existing law to the contrary notwithstanding, the following
28 transactions and assets of the MIC and MIF shall be exempt from local and national taxes, direct
29 and indirect, that may be imposed under the Local Government Code of 1991, and the National
30 Internal Revenue Code of 1997, as amended, pursuant to the regulations to be issued by the
31 Department of Finance, upon recommendation of the Bureau of Internal Revenue:

32
33 (a) All funds, assets, and properties;

34
35 (b) All revenues, income, or investment earnings, as well as accruals thereto; and

36
37 (c) Purchase of supplies, equipment, papers, or documents.

38
39 Importation of supplies and equipment by the MIC and MIF shall be exempt from customs duties,
40 in accordance with the provisions of Republic Act No. 10863, otherwise known as the “Customs
41 Modernization and Tariff Act”.

42
43 *Provided, That the exemptions granted herein shall be utilized actually, directly, exclusively, and*
44 *solely for the transactions of the MIC and MIF as distinct legal entities, and not for the purposes*
45 *of its executives, employees, third parties, and other distinct taxable entities.*
46

Sec. 32. Exemptions from the Government Procurement Reform Act. – Notwithstanding any law or rules, regulations or other issuances to the contrary, the procurement or engagement of the professional or technical services needed in the selection of investments authorized under Section 10 of this Act such as fund management, investment and analysis and advisory underwriting, securities brokerage and dealership, capital market and equity research analysis, and other similar services necessary in the selection of allowable investments under Section 13 of this Act shall be exempted from the provisions of R.A. No. 9184 or the Government Procurement Reform Act and its implementing rules and regulations.

The competitive selection process and guidelines for the foregoing procurement or engagement of the professional and technical services shall be approved by the MIC board.

Sec. 33. Exemption from the Salary Standardization Act. – The officers and employees of the MIC shall be exempt from the provisions of Republic Act No. 6758, otherwise known as the “Salary Standardization Act”, and succeeding laws on salary standardization.

Notwithstanding any law or rules, regulations, or other issuances to the contrary, the compensation of the officers and key personnel of the MIC shall be set based on an objective classification consistent with international standards for compensating investment management professionals managing global assets, taking into consideration the importance and responsibilities attached to the respective positions.

Sec. 34. Designation and Secondment. – For the first five (5) years of its operations, the MIC Board, upon the recommendation of the CEO, shall authorize GFI non-executive personnel to the MIC, as may be necessary, subject to existing guidelines on secondment of the Civil Service Commission (CSC).

The designation of the respective GFIs’ personnel to the MIC involves the imposition of additional and/or higher duties to be performed by said personnel for the MIC which is temporary and can be terminated anytime at the pleasure of the appointing officer/authority. Designated personnel shall continue to receive their salaries, benefits, and emoluments from their respective offices or agencies.

The secondment of the GFIs’ personnel to the MIC involves the movement of said personnel from their mother agencies and offices to the MIC, which is temporary in nature, which may or may not require the issuance of an appointment, and which may or may not involve increase in compensation and benefits. Seconded personnel shall receive, in lieu of their respective compensation from their respective agencies or offices, the salaries, emoluments and all other benefits which their positions are entitled to receive from the MIC.

ARTICLE VIII Distribution of Net Profits

Sec. 35. Distribution of the Net Profits of the Maharlika Investment Fund Corporation. – In lieu of taxes and dividend remittance to the National Government, at least twenty five percent (25%)

1 of the net profits of the MIC shall be directly distributed in the form of poverty and subsistence
2 subsidies to families falling below the poverty threshold as determined by the Philippine Statistics
3 Authority (PSA), beginning with the 18.1% of the population, or 19.99 million Filipinos living
4 below the poverty threshold of about P12,030 per month for a family of five (5), per the 2021
5 Family Income and Expenditure Survey of the PSA: *Provided*, That the remainder of the net profits
6 shall be remitted to the National Government, to be earmarked for social welfare programs and
7 projects, excluding infrastructure projects: *Provided, further*, That the share of the net profits
8 remitted to the National Government shall not exceed the proportion of investments to the total
9 fund attributable to the National Government.

10 ***Sec. 36. Computation of Profits and Losses of the MIC.*** – The profits and losses of the MIC shall
11 be recognized in its books. The recognition of profits and losses of the MIC shall be attributable
12 to the GFIs and investors which shall be subject to their respective accounting and auditing
13 procedures.
14
15

16 **ARTICLE IX**

17 **Financial Reporting Framework and Audit of Records**

18

19 ***Sec. 37. Financial Reporting Framework.*** – The financial statements and reports shall be
20 prepared, upon the advice of the Advisory Body, in accordance with pertinent provisions of this
21 Act and its IRR, and International Financial Reporting Standards (IFRS) and principles.
22

23 ***Sec. 38. Engagement of an Internal Auditor.*** – The Board shall appoint an internal auditor, who
24 shall provide written interim financial and management reports as requested by the Advisory Body.
25 The internal auditor shall be independent from the management of the MIC and shall be under the
26 direct control and supervision of the Board of Directors. The CEO shall ensure that the internal
27 auditor, including the staff, shall have access to all documents and information pertinent to the
28 audit.
29

30 ***Sec. 39. Engagement of an External Auditor.*** – The Board shall engage, for each accounting
31 period or as soon as practicable after the commencement of the relevant accounting period, an
32 internationally recognized auditing firm to be the External Auditor of the Fund and to audit its
33 financial statements.
34

35 The External Auditor shall:

36 (a) Be engaged annually;

37 (b) Be eligible for re-engagement; and
38

39 (c) Hold office on such terms and conditions as are determined by the Board of
40 Directors.
41
42
43

44 ***Sec. 40. Audit by the Commission on Audit.*** – The books and accounts of the MIC shall be subject
45 to the examination and audit of the Commission on Audit pursuant to Article IX of the 1987
46 Philippine Constitution. All financial transactions shall be governed by the applicable government

1 laws, rules, and regulations. The COA shall prescribe the guidelines of the audit of the MIC and
2 the Fund under its management in accordance with international best practices. In defining the
3 scope of its audit, the COA shall coordinate with the External Auditor as provided under Section
4 37 of this Act.

5
6 **Sec. 41. Disposal of Assets.** – Notwithstanding any law, rules, regulations, or other issuances to
7 the contrary, the disposal by MIC, pursuant to its mandate and functions, of shares, securities, and
8 other interests and investments, shall not be covered by existing laws and regulations on disposal
9 of government assets. The aforementioned financial assets shall be considered as forming part of
10 MIC’s inventory of assets held in the regular course of its business activities.

11 12 13 **ARTICLE X** 14 **Reports and Records** 15

16 **Sec. 42. Oversight Committee.** – There shall be created a Maharlika Investment Fund Joint
17 Congressional Oversight Committee (MIF-JCOC) to oversee, monitor, and evaluate the
18 implementation of this Act. The MIF-JCOC shall be composed of five (5) members each from the
19 House of Representatives and the Senate. The MIF-JCOC shall be co-chaired by the Chairpersons
20 of the House Committee on Banks and Financial Intermediaries and the Senate Committee on
21 Banks, Financial Institution and Currencies.

22
23 The Speaker and Senate President shall designate the other four (4) members of the MIF-JCOC of
24 the House and the Senate from among the members on the House Committee on Banks and
25 Financial Intermediaries and the Senate Committee on Banks, Financial Institution and Currencies,
26 at least one member of which shall be from the minority.

27
28 **Sec. 43. Right to freedom of information of the public.** – All documents of the MIF and the MIC,
29 shall be open, available, accessible to the public, including but not limited to:

- 30
31 (a) All investments thereof, whether planned or under negotiation by the mic and on the
32 portfolio of the MIF;
33 (b) The statements of assets and liabilities (SALNs) of the members and officials of the board
34 of directors, risk management unit, and advisory board;
35 (c) The SALNs of those who appointed and designated the said members and officials;
36 (d) Audit documents from the internal auditor, external auditor, and the COA; and
37 (e) Similar documents and information.
38

39 **Sec. 44. Provision for Access Rights and Retention Period of Records.** – The records on the MIC
40 pertaining to its investment activities shall be secured and maintained pursuant to the rules of the
41 National Archives of the Philippines. The disclosure rules under Republic Act No. 8799 or the
42 Securities Regulation Code, Republic Act No. 11232, or the Revised Corporation Code, and other
43 relevant laws, rules, and regulations shall apply to the MIC. The MIC shall be covered by
44 Executive Order No. 2, s. 2016.
45

1 **Sec. 45. Reports of Government Financial Institutions to stakeholders.** – Government financial
2 institutions with investments in the MIC shall include the performance of their investments, a risk
3 assessment of their exposure and strategies to manage such risks, and other relevant information
4 in their annual reports.

5
6 **Sec. 46. Compliance with Santiago Principles.** – The audits required under this article shall
7 include an assessment of the implementation of the Santiago Principles and recommendations to
8 improve compliance with such principles.

9
10
11 **ARTICLE XI**
12 **Offenses and Penalties**
13

14 **Sec. 47. Violation of Disqualification Provision; Penalties.** – When, despite the knowledge of the
15 existence of a ground for disqualifications as provided in Section 19 and Section 22 of this Act, a
16 director or officer willfully holds office, or willfully conceals such disqualification, such director,
17 trustee or officer shall be punished with a fine ranging from ten thousand pesos (P10,000.00) to
18 two hundred thousand pesos (P200,000.00) at the discretion of the court, and shall be permanently
19 disqualified from being a director or officer of the Board. When the violation of this provision is
20 injurious or detrimental to the public, the penalty shall be a fine ranging from twenty thousand
21 pesos (P20,000.00) to four hundred thousand pesos (P400,000.00).

22
23 **Sec. 48. Internal Auditor Collusion; Penalties.** – An independent internal auditor who, in
24 collusion with the corporation's directors or representatives, certifies the corporation's financial
25 statements despite its incompleteness or inaccuracy, its failure to give a fair and accurate
26 presentation of the corporation's condition, or despite containing false or misleading statements,
27 shall be punished with a fine ranging from eighty thousand pesos (P80,000.00) to five hundred
28 thousand pesos (P500,000.00). When the statement or report certified is fraudulent, or had the
29 effect of causing injury to the general public, the auditor or responsible officer may be punished
30 with a fine ranging from one hundred thousand pesos (P100,000.00) to six hundred thousand pesos
31 (P600,000.00).

32
33 **Sec. 49. Acting as Intermediaries for Graft and Corrupt Practices; Penalties.** – A corporation
34 used for fraud, or for committing or concealing graft and corrupt practices as defined under
35 pertinent statutes, shall be liable for a fine ranging from one hundred thousand pesos (P100,000.00)
36 to five million pesos (P5,000,000.00).

37
38 When there is a finding that any of its directors, officers, employees, agents, or representatives are
39 engaged in graft and corrupt practices, the Board's failure to install: (a) safeguards for the
40 transparent and lawful delivery of services; and (b) policies, code of ethics, and procedures against
41 graft and corruption shall be *prima facie* evidence of corporate liability under this section.

42
43 **Sec. 50. Engaging Intermediaries for Graft and Corrupt Practices; Penalties.** – A corporation
44 that appoints an intermediary who engages in graft and corrupt practices for the corporation's
45 benefit or interest shall be punished with a fine ranging from one hundred thousand pesos
46 (P100,000.00) to one million pesos (P1,000,000.00).

1 **Sec. 51. Tolerating Graft and Corrupt Practices; Penalties.** – A director, or officer who
2 knowingly fails to sanction, report, or file the appropriate action with proper agencies, allows or
3 tolerates graft and corrupt practices or fraudulent acts committed by a board's directors, officers,
4 or employees shall be punished with a fine ranging from five hundred thousand pesos
5 (P500,000.00) to one million pesos (P1,000,000.00).
6

7 **Sec. 52. Retaliation Against Whistleblowers.** – A whistleblower refers to any person who provides
8 truthful information relating to the commission or possible commission of any offense or violation
9 under this code. Any person who, knowingly and with intent to retaliate, commits acts detrimental
10 to a whistleblower such as interfering with the lawful employment or livelihood of the
11 whistleblower, shall, at the discretion of the court, be punished with a fine ranging from one
12 hundred thousand pesos (P100,000.00) to one million pesos (P1,000,000.00).
13

14 **Sec. 53. Other Violations of the Act; Separate Liability.** – Violations of any of the other provisions
15 of this Act or its amendments not otherwise specifically penalized therein shall be imprisonment
16 of not less than six (6) years, but not more than twenty (20) years, and by a fine of not less than
17 million pesos to three million pesos (P3,000,000.00) but not more than twice the value of the
18 monetary instrument or property involved in the offense.
19

20 **Sec. 54. Prescription of Offenses.** – All offenses punishable under this Act shall prescribed in
21 fifteen (15) years.
22

23 **ARTICLE XII**

24 **Miscellaneous Provisions**

25

26
27 **Sec. 55. Implementing Rules and Regulations.** – Within ninety (90) days from the effectivity of
28 this Act, the Treasurer of the Philippines, in consultation with the founding GFIs, shall promulgate
29 the necessary rules and regulations for the implementation of this Act.
30

31 **Sec. 56. Separability Clause.** – If any provisions of this Act are declared invalid or
32 unconstitutional, the remaining parts or provisions not affected shall remain valid.
33

34 **Sec. 57. Repealing Clause.** – All acts, executive orders, administrative orders, proclamations, rules
35 and regulations or parts thereof inconsistent with any of the provisions of this Act, are hereby
36 expressly repealed or modified accordingly.
37

38 Section 100 of Republic Act No. 3844, as amended by Republic Act No. 7907, Section 16 of
39 Republic Act No. 7653, as amended by Republic Act No. 11211, Section 26 of Executive Order
40 No. 81 s. 86, as amended by Republic Act No. 8523, are hereby expressly repealed and modified
41 accordingly.
42

43 **Sec. 58. Effectivity.** – This Act shall take effect immediately upon its publication in the Official
44 Gazette or in a newspaper of general circulation in the Philippines.
45

46 Approved,