



## *Trust and Investment Center*

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### TRUST CHARTER

#### **TRUST LICENSE**

**PHILIPPINE BUSINESS BANK, A SAVINGS BANK** was granted a license to engage in trust and other fiduciary business under Republic Act No. 8791 and the Manual of Regulations for Bank by virtue of the authority vested in the Monetary Board of the *Bangko Sentral Ng Pilipinas* (BSP) under Resolution No. 1662 dated November 16, 2003. Its Certificate of Authority to perform trust and other fiduciary business was issued by the BSP on May 27, 2004.

#### **CORPORATE AUTHORITY**

The Articles of Incorporation of **PHILIPPINE BUSINESS BANK, A SAVINGS BANK**, as amended, already include among its purposes, provisions to engage in Trust business, in general or specifically to act as trustee or administer any trust or hold property in trust or on deposit for the use or in behalf of others. (Ref: Sec 2.f, as amended on April 25, 2003)

The following provisions have been included in the Bank's By-Laws (Ref: Article VII, as amended on April 24, 1998)

1. The creation of a Trust Committee which shall be responsible in carrying out the functions delegated to it by the Board of Directors or as may be required under existing laws and regulations;
2. The formation of an organizational plan or structure for the Trust Department which shall conduct the Trust investment management activities and other fiduciary business of the Bank;
3. The appointment of a Trust Officer and subordinate officers of the Trust Department;
4. A clear definition of the duties and responsibilities as well as the line and staff functional relationships of the various units, officers and staff within the organization.

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### **STATEMENT OF PRINCIPLE**

The cardinal principle common to all trust and other fiduciary relationship is fidelity. Policies predicated upon this principle shall be directed towards observance of the following:

1. **Prudent Administration.** The Trust, Investment management and other Fiduciary accounts shall be administered in conformity with the intention and purpose of the client as manifested in the terms of the agreement, and with the skill, care, prudence and diligence necessary under the circumstance then prevailing that a prudent man acting in like capacity and familiar with such matters would exercise in the conduct of an enterprise of like character and with similar aims.
2. **Undivided Loyalty and Utmost Care.** In the discharge of fiduciary responsibility, the interests of clients shall be placed above those of the bank. Clear policies and procedures shall be developed in dealing with conflict of interest situations. The fiduciary assets shall be objectively and fairly administered, invested, and distributed giving due regard to the beneficiaries' respective interests.
3. **Non-delegation of Responsibilities.** The administration of the Trust, Investment Management, or Fiduciary responsibilities or the performance of acts that should be personally performed shall not be delegated as the client's confidence is reposed on the Trust entity.
4. **Preserving and Protecting Property.** Reasonable care and diligence shall be observed to preserve and protect the property entrusted. Fiduciary assets shall be kept legally separated and distinct from proprietary assets and from one fiduciary/trust/investment management account to another.
5. **Keeping and Rendering Accounts.** A true and accurate account or record of transactions entered into shall be kept. Reports on the Trust, Investment Management and Other Fiduciary accounts shall be rendered to the trustor, principal, beneficiary, or other party in interest, or the court concerned, or any party duly designated by a court order, as the case may be, in accordance with sections X421/4421Q and X425/4425Q of the MORB. Likewise, all material facts within the knowledge or reasonably



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discoverable by the trust entity, particularly information that would enable clients to make well-informed decisions, shall be promptly transmitted/relayed to clients for them to protect their interests.

Furthermore, practices shall be carried out in accordance with the basic standards and risk management guidelines for trust, other fiduciary and investment management accounts.

### **TRUST ENTITY**

A Trust Entity shall refer to a:

1. Bank or a non-bank financial institution, through its specifically designated business unit to perform trust functions, or
2. Trust corporation, authorized by the BSP to engage in Trust and Other Fiduciary Business or to perform investment management services.

### **ORGANIZATION AND MANAGEMENT**

1. The Trust and other fiduciary business, including investment management activities of the Bank shall be carried out through its Trust Department which shall be organizationally, operationally, administratively and functionally separate and distinct from the other departments and/or businesses of the Bank.

However, the Bank proper and the Trust department may share the following activities:

- a. electronic data processing;
  - b. credit investigation;
  - c. collateral appraisal; and
  - d. messenger, janitorial and security services.
2. The Trust Department, trust officer and other subordinate officers of the Trust Department shall only be directly responsible to the Bank's Trust Committee which shall, in turn, be only directly responsible to the Bank's Board of Directors.



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No director, officer, or employee taking part in the management of trust and other fiduciary accounts shall perform duties in other departments or the Audit Committee of the Bank and vice versa.

However, branch officers duly authorized by the Board of Directors may, for or on behalf of the Trust Officer, sign pre-drawn trust instruments.

3. The organizational structure and definition of duties and responsibilities of the Trust Committee, officers and employees of the Trust Department shall reflect adherence to the minimum internal control standards prescribed by the BSP.
4. Provisions shall be made by the Bank to have legal assistance readily available in the review of proposed and/or existing trust and fiduciary agreements and documents and in the handling of legal and tax matters related thereto.

### **QUALIFICATIONS OF TRUST COMMITTEE MEMBERS, OFFICERS AND STAFF**

The Bank's Trust Department shall be staffed by persons of competence, integrity, and honesty. Directors, committee members and officers charged with the administration of Trust and other fiduciary activities shall, in addition to meeting the qualification standards prescribed for directors and officers of banks or for Qualified Independent Professionals, possess the necessary technical expertise and relevant experience in such business which may be indicated by any of the following:

1. At least one (1) year of actual experience in Trust, Other Fiduciary Business, or Investment Management Activities;
2. At least three (3) years of professional experience in relevant field such as banking, finance, economics, law, and risk management;
3. Completion of at least ninety (90) training hours on Trust, Other Fiduciary Business, or Investment Management activities acceptable to the BSP; or
4. Completion of a relevant global or local professional certification program.

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A Trust Committee member should be familiar with Philippine Laws, Rules and Regulations on Trust Business, as well as uphold at all times ethical and good governance standards.

The **Trust Officer** who shall be appointed shall possess any of the following:

1. At least five (5) years of actual experience in trust operations;
2. At least three (3) years of actual experience in trust operations and must have:
  - a. completed at least ninety (90) training hours in Trust, Other Fiduciary Business, or Investment management Activities acceptable to the BSP or
  - b. completed a relevant global or local professional certification program.
3. At least five (5) years of actual experience as an officer of a bank and must have:
  - a. completed at least ninety (90) training hours in Trust, Other Fiduciary Business, or Investment management Activities acceptable to the BSP or
  - b. completed a relevant global or local professional certification program.

### **CONFIRMATION OF THE APPOINTMENT / DESIGNATION OF TRUST OFFICER AND INDEPENDENT PROFESSIONAL**

An independent professional and Trust Officer must be fit and proper to discharge their respective functions. In determining whether a person is fit and proper for the position, regard shall be given to the following:

1. Integrity/Probity
2. Physical/Mental Fitness
3. Competence
4. Relevant Education/Financial Literacy/Training
5. Diligence
6. Knowledge/Experience



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The appointment or designation of Independent Professional and Trust Officer shall be subject to confirmation by the Monetary Board. The Bio-data of the proposed Independent Professional and Trust Officer shall be submitted to BSP, in a prescribed form accepted by the BSP, within seven (7) days from approval of the Board of Directors or its functional oversight equivalent, which shall include the country head in case of foreign banks. Moreover, the Independent Professional shall certify that he/she possesses the qualifications as herein prescribed and that all the information thereby supplied are true and correct.

If after evaluation, the Monetary Board shall find grounds for disqualification, the concerned bank shall be informed thereof and the Independent Professional and Trust Officer so appointed or delegated shall be removed from office even if he/she has assumed the position to which he/she was appointed or delegated.

### **RESPONSIBILITIES OF ADMINISTRATION**

#### A. Duties and Responsibilities of the Board of Directors

The Board of Directors shall be responsible for the proper administration and management of trust and other fiduciary business. Funds and properties held in trust or in any fiduciary capacity shall be administered with the skill, care, prudence and diligence necessary under the circumstances then prevailing that a prudent man, acting in like capacity and familiar with such matters, would exercise in the conduct of an enterprise of like character and with similar aims. The Board shall ensure an appropriate degree of Independence between the activities of the Bank Proper and its Trust Department.

The responsibilities of the Board of Directors shall include, but need not be limited to the following:

1. It shall determine and formulate general policies and guidelines on the:
  - a. acceptance, termination, or closure of trust and other fiduciary account;
  - b. proper administration and management of each trust and other fiduciary account; and

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- c. investment, reinvestment and disposition of funds or property held in its capacity as trustee or fiduciary;
2. It shall direct and review the actions of the Trust Committee and all officers and employees designated to manage the trust and other fiduciary accounts, especially accounts without specific agreements on investments or discretionary accounts;
3. It shall be responsible for taking appropriate action on the examination reports of supervisory agencies, internal and/or external auditors on the bank's trust and other fiduciary business and recording such actions thereon on the minutes;
4. It shall designate the members of the Trust Committee, the trust officer and subordinate officers of the trust department shall be responsible for requiring reports from said Committee and officers and recording its actions thereon in the minutes; and
5. It shall establish an appropriate staffing pattern and adopt operating budgets that shall enable the Trust Department to effectively carry out its functions. It shall likewise be responsible for providing the officers and staff of the Bank with appropriate training programs in the administration and operation of all phases of trust and other fiduciary business.

The Board of Directors may, by action duly entered in the minutes, delegate its authority for the acceptance, termination, closure or management of trust and other fiduciary accounts to the Trust Committee or to the Trust Officer, subject to certain guidelines approved by the Board.

B. Duties and Responsibilities of the Trust Committee

The Trust Committee duly constituted and authorized by the Board of Directors shall act within the sphere of authority which may be provided for the Bank's by-laws and/or as may be delegated by the Board. Its duties and responsibilities include, but need not be limited to, the following:

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1. Ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices;
2. Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive, and effective;
3. Oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities;
4. Adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust Department to effectively carry out its functions;
5. Oversee and evaluate the performance of the Trust Officer;
6. Conduct regular meetings at least once every quarter, or more frequently as necessary, depending on the size and complexity of the fiduciary activities;
7. It shall approve or confirm the acceptance, termination or closure of all trust and other fiduciary accounts and shall record such in its minutes;
8. Upon the acceptance of an account, it shall immediately review all non-cash assets received for management. Likewise, it shall make a review of the trust and/or fiduciary assets at least once every twelve (12) months to determine the advisability of retaining or disposing of such assets;
9. Report regularly to the Board on matters arising from fiduciary activities.
10. The acceptance and closing of trust and other fiduciary accounts;
11. The initial review of assets placed under the trustee's or fiduciary's custody;



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12. The investment, reinvestment and disposition of funds or property;
13. The review and approval of transactions between trust and/or fiduciary accounts; and
14. The review of trust and other fiduciary accounts are least once every two or every year, depending on the Risk profile of client, to determine the advisability of retaining or disposing of the trust assets, and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

### C. Duties and Responsibilities of the Trust Officer

The Trust Officer designated by the Board of Directors as Head of the Trust Department shall act and represent the Bank in all trust and other fiduciary matters within the sphere of his authority as may be provided in the By-laws or as may be delegated by the Board. The management of day-to-day fiduciary activities shall be vested in the Trust Officer. His responsibilities shall include, but need not be limited to the following:

1. Ensure adherence to the Basic Standards in the Administration of Trust, Other Fiduciary Activities and Investment Management accounts;
2. Develop and implement relevant policies and procedures on fiduciary activities;
3. Observe sound risk management practices and maintain necessary controls to protect assets under custody and held in trust or other fiduciary capacity;
4. Carry out investment and other fiduciary activities in accordance with agreements with clients and parameters set by the Trust Committee as approved by the Board of Directors;
5. Report regularly to the Trust Committee on business performance and other matters requiring its attention;



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6. Maintain adequate books, records and files for each trust or other fiduciary account and provide timely and regular disclosures to clients on the status of their accounts; and
7. Submit periodic reports to regulatory agencies on the conduct of the trust operations.

If there are two or more trust officers, one of them shall be designated by the Board as head of the Trust Department.

The Trust Officer shall be directly responsible to the Trust Committee, and shall not concurrently occupy any other operational position in the Corporation nor be a member of an audit committee of the same bank.

### **COMPOSITION OF THE TRUST COMMITTEE**

The Trust Committee shall be composed of at least five (5) members including the:

1. The President of the Bank or any Senior Officer of the Bank;
2. The Trust Officer, designated by the Board;
3. The remaining Committee members, including the Chairperson, may be any of the following:
  - a. Non-Executive Directors or Independent Directors who are both not part of the Audit Committee; or
  - b. Those considered as Qualified "Independent Professionals"

A Qualified Independent Professional shall refer to a person who:

- i. Is not a director/officer/employee of the Bank during the last twelve (12) months counted from the date of Committee membership;
- ii. Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any executive director or those involved in the day to day management of institution's operations or officer of the Bank;
- iii. Is not engaged or does not engage in any transactions with the Bank whether by himself or with other persons or through a firm of which he is a partner, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.



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An Independent Professional may be appointed as a Trust Committee member of other Banks that belong to the same financial conglomerate.

The Board of Directors shall record in the minutes of its meetings the appointed members and shall designate the Chairman of the Trust Committee from the three (3) directors appointed to the Trust Committee.

### **TERMS OF OFFICE**

A member of the Trust Committee shall have a term of one (1) year but maybe extended to an indefinite term upon approval by the Board of Directors. In case of vacancy in the membership of the Committee by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

### **CONDUCT OF MEETING**

The Committee shall meet six (6) times a year, occurring every two months, or as often as may be required by the Board of Directors, on such date and time and at such place as determined by the Chairperson of the Committee.

The Secretary of the Committee shall confer with the Chairperson on the items to be included in the agenda for each meeting.

### **QUORUM**

The quorum shall be at least 51% of the regular members, one of whom should be the Chairman of the Committee or in his absence the Vice Chairman, who shall chair the meeting. A majority vote among the members present shall be required to pass or defeat any resolution at the meeting, provided such majority vote shall always include the vote of the Chairman or in his absence, the Vice-Chairman.



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### **APPROVAL**

The Committee shall approve, confirm, or defer the resolutions presented during its regular meeting. To ensure a timely and efficient manner of review, feedback, and approval, the Committee may implement document routing and approval methodology. The Committee may either sign or e-sign the submitted documents for their approval.