



**DEPARTMENT OF FINANCE
DEPARTMENT OF BUDGET AND MANAGEMENT
DEPARTMENT OF JUSTICE**

Joint Memorandum Circular No. 001.2021
Series of 2021

Subject: The Implementing Rules and Regulations of Sections 9 to 11 of Republic Act No. 11524, "An Act Creating the Coconut Farmers and Industry Trust Fund, Providing For Its Management and Utilization, Reconstituting for the Purpose the Philippine Coconut Authority Board, and for Other Purposes."

Introduction. This Joint Memorandum Circular implements the provisions of Sections 9 to 11 of Republic Act ("RA") No. 11524, *"An Act Creating the Coconut Farmers and Industry Trust Fund, Providing For Its Management and Utilization, Reconstituting for the Purpose the Philippine Coconut Authority Board, and for Other Purposes."*

**RULE I
PRELIMINARY PROVISIONS**

Section 1. Title. These rules ("Rules") shall be known and cited as the Implementing Rules and Regulations of Sections 9 to 11 of RA No. 11524, *"An Act Creating the Coconut Farmers and Industry Trust Fund, Providing For Its Management and Utilization, Reconstituting for the Purpose the Philippine Coconut Authority Board, and for Other Purposes."*

Section 2. Purpose. These Rules are issued to prescribe the guidelines and procedure for the implementation of Sections 9 to 11 of the "Coconut Farmers and Industry Trust Fund Act."

Section 3. Interpretation Clause. These Rules shall be interpreted and liberally construed to ensure the fulfillment of the policy objective of Sections 9 to 11 of the "Coconut Farmers and Industry Trust Fund Act."

Section 4. Declaration of Policy. It is hereby declared the policy of the State to consolidate the benefits due to coconut farmers, especially the poor and marginalized, under various statutes and to expedite the delivery thereof to attain increased incomes for coconut farmers, alleviate poverty and achieve social equality.

RULE II DEFINITION OF TERMS

Section 1. Definition of Terms. As used in these Rules:

- a. *Asset Registry* shall refer to the repository of information and records of Coconut Levy Assets;
- b. *BSP* shall refer to the Bangko Sentral ng Pilipinas;
- c. *BTr* shall refer to the Bureau of the Treasury;
- d. *COA* shall refer to the Commission on Audit;
- e. *Coconut Farmer* shall refer to:
 - (1) An owner of a coconut farm that is not more than five (5) hectares, who:
 - (i) Tills the land (owner-cultivator); or
 - (ii) Does not till the land, but has control and supervision over the cultivation of the coconut farm;
 - (2) A leaseholder with not more than five (5) hectares or tenant who tills or supervises the cultivation of the coconut farm; or
 - (3) A farm worker or laborer, whether seasonal or itinerant, engaged in the harvesting of the nuts and processing of copra as a major means of livelihood;
- f. *Coconut Levy Assets* shall refer to any and all kinds of property, whether real or personal, tangible or intangible, wherever situated, which have been acquired through the Coconut Levy Funds, including Disputed Coconut Levy Assets that may be recovered by the PCGG in favor of the government, as well as fruits or income therefrom, including those acquired in exchange or substitution thereof. These shall include, among others, the following:
 - (1) The shares of stock in UCPB that were determined to be owned by the government;
 - (2) The Coconut Industry Investment Fund ("CIIF") – Oil Mills Group ("OMG"), which refers to the CIIF companies, namely:
 - (i) Southern Luzon Coconut Oil Mills;
 - (ii) Cagayan de Oro Oil Co. Inc.;

- (iii) Iligan Coconut Industries, Inc.;
- (iv) San Pablo Manufacturing Corp.;
- (v) Granexport Manufacturing Corp.;
- (vi) Legaspi Oil Co. Inc.;

(3) The CIIF Holding Companies, which refer to the fourteen (14) holding companies, namely:

- (i) Anglo Ventures Corporation;
- (ii) ACS Investors, Inc.;
- (iii) Arc Investors, Inc.;
- (iv) AP Holdings, Inc.;
- (v) Fernandez Holdings, Inc.;
- (vi) First Meridian Development, Inc.;
- (vii) Randy Allied Ventures, Inc.;
- (viii) Rock Steel Resources, Inc.;
- (ix) Roxas Shares, Inc.;
- (x) SMC Officers Corps, Inc.;
- (xi) Soriano Shares, Inc.;
- (xii) Te Deum Resources, Inc.;
- (xiii) Toda Holdings, Inc.;
- (xiv) Valhalla Properties Limited, Inc.; and

(4) The Converted San Miguel Corporation ("SMC") Series 1 Preferred Shares, which refers to the 753,848,312 preferred shares of stock in SMC declared owned by the government, together with all the dividends declared, paid, or issued thereon, as well as any increments thereto arising from, but not limited to, the exercise of pre-emptive rights;

g. *Coconut Levy Funds* shall refer to various funds generated from levies, taxes, charges and fees exacted or imposed pursuant to or in connection with the sale of

copra rececada or its equivalent in other coconut products, and collected for the most part from coconut farmers, planters, millers, refiners, processors, exporters, desiccators and other end-users of *copra rececada* or its equivalent in other coconut products. Specifically, the term shall refer to any of the following:

- (1) The Coconut Investment Fund created under RA No. 6260;
 - (2) The Coconut Consumers Stabilization Fund, later renamed as the Coconut Industry Stabilization Fund, created under Presidential Decree ("PD") No. 276;
 - (3) The Coconut Industry Development Fund created under PD No. 582;
 - (4) The CIIF created under PD No. 1468; and
 - (5) The Coconut Reserve Fund under PD No. 1468 and PD No. 1842;
- h. *DBM* shall refer to the Department of Budget and Management;
- i. *DBP* shall refer to the Development Bank of the Philippines;
- j. *Designated Disposition Entity ("DDE")* shall refer to the PMO, DBP, LBP, SSS, and GSIS which, at the time of the enactment of RA No. 11524, are one hundred percent (100%) owned by the government;
- k. *Disputed Coconut Levy Assets* shall refer to Coconut Levy Assets subject of a dispute (or the status is still pending in courts, i.e., Regional Trial Courts, Sandiganbayan, and Supreme Court or government body or agency of competent jurisdiction) as of the date of effectivity of RA No. 11524. These may refer to Cash Coconut Levy Assets or Non-Cash Coconut Levy Assets;
- l. *DOF* shall refer to the Department of Finance;
- m. *DOJ* shall refer to the Department of Justice;
- n. *GAA* shall refer to the Annual General Appropriations Act;
- o. *GCG* shall refer to the Governance Commission for GOCCs;
- p. *GOCC* shall refer to Government -Owned or -Controlled Corporation;
- q. *GSIS* shall refer to the Government Service Insurance System;
- r. *IAs* shall refer to the Implementing Agencies;
- s. *IC* shall refer to the Insurance Commission;

- t. *LBP* shall refer to the Land Bank of the Philippines;
- u. *Non-Cash Coconut Levy Assets* shall refer to all kinds of property, real or personal, tangible or intangible, wherever situated which have been acquired through the Coconut Levy Funds. This may include stocks, inventories, property, plant, equipment, machineries, buildings and improvements.
- v. *OP* shall refer to the Office of the President;
- w. *PCA* shall refer to the Philippine Coconut Authority;
- x. *PCGG* shall refer to the Presidential Commission on Good Government;
- y. *PDIC* shall refer to the Philippine Deposit Insurance Corporation;
- z. *Plan* shall refer to the Coconut Farmers and Industry Development Plan;
- aa. *PMO* shall refer to the Privatization and Management Office;
- bb. *RA* shall refer to Republic Act;
- cc. *ROP* shall refer to the Republic of the Philippines;
- dd. *Rules* shall refer to the implementing rules and regulations contained in this Joint Memorandum Circular;
- ee. *SAGF* shall refer to the Special Account in the General Fund for Coco Levies;
- ff. *SMC* shall refer to the San Miguel Corporation;
- gg. *SSS* shall refer to the Social Security System;
- hh. *Trust Fund* shall comprise all funds generated, as well as, resources and assets acquired through the Coconut Levy Funds. The Trust Fund shall include all non-disputed Coconut Levy Assets;
- ii. *Trust Fund Principal* shall refer to the entire cash component of the Trust Fund, which will be the source of funds for disbursement to IAs and other Trust Fund Management Expenses; and
- jj. *UCPB* shall refer to the United Coconut Planters Bank.



RULE III

COCONUT FARMERS AND INDUSTRY DEVELOPMENT PLAN

Section 1. Creation of the Plan. The utilization of the Trust Fund, or any portion thereof, shall be in accordance with the Plan, which shall be prepared by the PCA.

Section 2. Disbursements for the Implementation of the Plan. An initial allocation of Five Billion Pesos (P5,000,000,000.00) shall be available to the designated government IAs, of this amount Five Million Pesos (P5,000,000.00) will be released to the PCA for the formulation of the Plan. For subsequent years, an amount not lower than Five Billion Pesos (P5,000,000,000.00) shall be allocated to implement the Plan, subject to Rule III, Section 4 of these Rules.

Section 3. Disbursement for the Formulation of the Plan. The PCA shall allocate an amount of Five Million Pesos (P5,000,000.00) for the formulation of the Plan.

Section 4. Annual Allocation of Disbursements for the Plan. The Plan shall utilize the Coconut Levy Funds for programs, projects and activities for the benefit of coconut farmers and development of the coconut industry in accordance with the allocations stated in Section 4 of RA No. 11524.

Section 5. Trust Fund Separate from PCA Annual Budget. In addition to the allocation of the PCA under Rule III, Section 4, the PCA Board shall further pursue its mandate of implementing programs and projects from the regular appropriations of the GAA consistent with Rule V, Section 2 of these Rules. Relative thereto, the PCA Board shall prepare and adopt an annual budget.

PCA shall not include in its budget proposal the programs, activities, and projects that are already covered by the Plan to avoid double provision of funds.

RULE IV

RECONVEYANCE OF COCONUT LEVY ASSETS

Section 1. Reconveyance of Coconut Levy Assets Declared as Belonging to the Government. Within one (1) year from the effectivity of RA No. 11524, all government agencies, except the BTr, and any person having any cash or non-cash Coconut Levy Asset and/or Fund in its administration, authority, custody, or control, whether within or outside the Philippines, which has been declared with finality by the Supreme Court as belonging to the government, shall perform or cause the performance of the following acts:

- (a) Reconvey title to the ROP;
- (b) Deliver all stock certificates and other evidence of ownership to the BTr for safekeeping. If title to the non-cash Coconut Levy Assets has not been transferred in the name of the ROP, the BTr may cause the recording, transfer,

or both, and the issuance of a new stock certificate or other evidence of ownership, in the name of the ROP; and

- (c) Transfer all cash Coconut Levy Assets to the Trust Fund, through the BTr. Cash Coconut Levy Assets held by the BTr and deposited in the SAGF shall be transferred to the Trust Fund following the timeline in Rule V, Section 4 of these Rules.

Section 2. Reconveyance of Disputed Coconut Levy Assets Held or Controlled by the Government.

- (a) *Disputed Non-Cash Coconut Levy Asset.* Within one (1) year from the effectivity of RA No. 11524, all government agencies and instrumentalities, except the BTr, having any Disputed Non-Cash Coconut Levy Asset in its administration, authority, custody, or control, whether within or outside the Philippines, shall perform or cause the performance of the acts referred to Rule IV, Section 1 of these Rules.

Upon completion of the acts referred to in Rule IV, Section 1 of these Rules, such Disputed Non-Cash Coconut Levy Asset shall be deemed to be included in the registry for all Non-Cash Coconut Levy Assets to be established by the Trust Fund Management Committee Secretariat. Subject to the discretion of the Trust Fund Management Committee, a Disputed Non-Cash Coconut Levy Asset included in the registry may be disposed of or privatized pending dispute; *Provided*, that the disposition or privatization proceeds shall be deposited to and maintained in an escrow account separate from the Trust Fund Principal. Said proceeds shall only be transferred to the Trust Fund Principal after the dispute concerning the Disputed Non-Cash Coconut Levy Asset has been resolved with finality in favor of the government (i.e., the Disputed Non-Cash Coconut Levy Asset is declared with finality as belonging to and recoverable by the government).

- (b) *Disputed Cash Coconut Levy Asset.* Within one (1) year from the effectivity of RA No. 11524, all government agencies and instrumentalities, except the BTr, having any Disputed Cash Coconut Levy Asset in its administration, authority, custody, or control, whether within or outside the Philippines, shall transfer the same to the BTr. Upon receipt of the same, the BTr shall open and maintain an escrow account separate from the Trust Fund Principal. Any Disputed Cash Coconut Levy Asset shall only be transferred to the Trust Fund Principal after the dispute concerning it has been resolved with finality in favor of the government (i.e., the Disputed Cash Coconut Levy Asset is declared with finality as belonging to and recoverable by the government).

Section 3. Reconveyance of Subsequently Recovered Coconut Levy Assets, Including Disputed Coconut Levy Assets Not Held or Controlled by the Government. Any Disputed Cash or Non-Cash Coconut Levy Asset not under the administration, authority, custody,

or control of the government at the time of the effectivity of RA No. 11524 that is subsequently declared with finality by the Supreme Court or any court, body, or agency of competent jurisdiction as belonging to and recoverable by the government shall be reconveyed to the ROP. For this purpose, the PCGG or the government agency or instrumentality party to such dispute shall perform or cause the performance of the acts mentioned in Rule IV, Section 1 of these Rules within thirty (30) days from the finality of such declaration or decision.

Section 4. No Injunctive Relief. No temporary restraining order ("TRO") or any injunction order can be issued preventing reconveyance of Coconut Levy Assets except by the Supreme Court.

Section 5. PCGG Periodic Reports. The PCGG shall likewise submit the following reports on all updates pertaining to its accounting and inventory or to any Coconut Levy Asset/Fund:

- (a) Report to the Trust Fund Management Committee to be submitted a) within fifteen (15) days from the end of each quarter of the calendar year i.e., from the end of March, June, September, and December of each year; and b) whenever required by the Trust Fund Management Committee; and
- (b) Annual report to the OP, COA, and BTr to be submitted every January 30 of the following year.

Within six (6) months from the submission of the PCGG annual report referred to in this paragraph (b), the COA shall submit to the Trust Fund Management Committee its audit report.

RULE V COCONUT FARMERS AND INDUSTRY TRUST FUND

Section 1. The Coconut Farmers and Industry Trust Fund. The Trust Fund created under RA No. 11524 shall be capitalized, managed, invested, utilized and accounted for fifty (50) years under the Plan to be used solely for the benefit of the coconut farmers and the development of the coconut industry.

Section 2. Nature of the Trust Fund. The Trust Fund is separate and distinct from the regular funds appropriated to the PCA through the GAA. The PCA shall continue to pursue its mandate of implementing programs and projects from the regular GAA appropriations and from funds under the Trust Fund, subject to usual budgeting process and evaluation.

Section 3. Initial Trust Fund Principal. The following shall form part of the initial Trust Fund Principal:



- (a) Proceeds from the redemption of the Converted SMC Series 1 Preferred Shares, dividends declared, paid, or issued on the Converted SMC Series 1 Preferred Shares, and all income or interest derived therefrom as of the effectivity of RA No. 11524;
- (b) Any other cash Coconut Levy Assets, that are held by the BTr as a SAGF (to be transferred to the Trust Fund in accordance with Rule V, Section 4 of these Rules); and
- (c) Cash held by the UCPB as administrator of CIIF.

Section 4. Transfer from the SAGF to the Trust Fund. The releases from the SAGF for Coco Levies to the Trust Fund per year shall form part of the National Government's fiscal program. Immediately upon the enactment of RA No. 11524, the BTr shall transfer Ten Billion Pesos (P10,000,000,000.00) to the Trust Fund. For the succeeding years, the BTr shall transfer to the Trust Fund the following amounts:

- (a) Second Year – Ten Billion Pesos (P10,000,000,000.00);
- (b) Third Year – Fifteen Billion Pesos (15,000,000,000.00);
- (c) Fourth Year - Fifteen Billion Pesos (15,000,000,000.00); and
- (d) Fifth Year – Twenty-Five Billion Pesos (P25,000,000,000.00), and any amount accruing, including interest, in the SAGF to the Trust Fund.

It is understood that the interest earnings of the funds in the SAGF are automatically appropriated and shall be transferred to the Trust Fund in the fifth year.

Section 5. Augmentation of the Trust Fund Principal. Subject to Rule IV, Section 2 of these Rules, the Trust Fund Principal shall thereafter be augmented with all proceeds of privatization and disposition of the Coconut Levy Assets remitted directly thereto by the BTr and DDEs in accordance with RA No. 11524, including any and all forms of income, interests, earnings, yields or any monetary benefit derived prior to the privatization or disposition of any of the Coconut Levy Assets, and any and all forms of income, interests, earnings, yields or any monetary benefit derived from retained Coconut Levy Assets.

RULE VI MANAGEMENT OF THE TRUST FUND

Section 1. Composition of the Trust Fund Management Committee. The Trust Fund Management Committee created under Section 10 of RA No. 11524 shall be composed of authorized representatives of the following departments:

- (a) DOF;

(b) DBM; and

(c) DOJ.

The Secretaries of the said departments shall be the representatives in the Trust Fund Management Committee; *Provided*, that they may designate and authorize an alternate, who shall at least be an Undersecretary in rank.

Section 2. Meetings of the Trust Fund Management Committee. The Trust Fund Management Committee shall have its regular meetings once per quarter.

Such regular meetings shall be called and conducted in accordance with the guidelines to be adopted by the Trust Fund Management Committee; *Provided*, that the presence of all duly authorized representatives of the Trust Fund Management Committee shall constitute a quorum; *Provided further*, that the Trust Fund Management Committee may approve matters ad referendum.

A special meeting may be held at any time, as deemed necessary, upon the request of any member in the Trust Fund Management Committee.

Any disposition or privatization matter raised in a meeting of the Trust Fund Management Committee shall be acted upon in either of the next two (2) meetings, regular or special, which shall be no later than sixty (60) days from the date of the meeting where such matter was first raised.

Section 3. Functions of the Trust Fund Management Committee. The Trust Fund Management Committee shall be responsible for setting and updating the annual Investment Strategy of the Trust Fund, which shall include the following, among others:

- (a) Setting of investment priorities with intent to maximize the Trust Fund's return while ensuring sufficient liquidity;
- (b) Setting of investment themes based on current market and economic conditions to prevent dissipation of assets;
- (c) Evaluation of assets to determine portfolio size based on the PCGG, COA Audit Report, and/or third party appraisers;
- (d) Setting of policies with respect to asset allocation for privatization or disposition to ensure adequate returns and cash resources for the implementation of the Plan;
- (e) Guidelines for portfolio turnover based on the financial performance of companies as to their price-to-earnings ratios, inflation-adjusted return, sales, earnings, and dividends to ensure effective and efficient disposition of assets;

- (f) Guidelines for Trust Fund Management Expenses, subject to *Rule VI, Section 12*;
- (g) On or before September 30 for the initial year and June 30 for the succeeding years, set the Annual Allocation of the Trust Fund Principal available for disbursement for the following calendar year of the immediately preceding year, which shall not be less than Five Billion Pesos (P5,000,000,000.00), but which can be more if the funds shall permit;
- (h) Guidelines governing the disbursement process from the Trust Fund to the IAs to maximize the economic use of resources and enhance transparency in the monitoring of the utilization of funds;
- (i) Approval of the financial requirements of DDEs in relation to their functions set forth under RA No. 11524 and Rule VII, Section 4 of these Rules, including its annual budget for operations, management and privatization/disposition of Coconut Levy Assets and/or Funds transferred and entrusted in its care; and
- (j) Other guidelines as may be necessary to fulfill its mandate under RA No. 11524.

Section 4. BTr as Secretariat of the Trust Fund Management Committee. Under Section 10 of RA No. 11524, the BTr shall act as the Trust Fund Management Committee Secretariat, and shall maintain records and accounts of all investments, receipts, disbursements and other transactions relating to the management, administration, and utilization of the Trust Fund; *Provided*, that these records and accounts shall be maintained in accordance with existing accounting and auditing laws, rules and regulations, and shall be audited by the COA.

The BTr, acting as the Secretariat of the Trust Fund Management Committee, shall also have the following duties and responsibilities:

- (a) Organize and execute its relevant administrative duties as Secretariat of the Trust Fund Management Committee;
- (b) Establish a registry for all Coconut Levy Assets. Initial valuation of non-cash assets will be based on the COA Audit Report;
- (c) Monitor and report on the status of disbursements of IAs in relation to the Plan;
- (d) At the regular meetings of the Trust Fund Management Committee, report on the Trust Fund's activities;



- (e) Develop the organizational structure, work program and annual administrative budget of the Secretariat and submit for approval by the Trust Fund Management Committee; and
- (f) Perform any other functions as may be assigned by the Trust Fund Management Committee.

Section 5. DOF as Trust Fund Manager. The DOF shall serve as the Trust Fund Manager, and shall, as such, draft the Investment Strategy, for the approval of the Trust Fund Management Committee, implement the Investment Strategy set by the Trust Fund Management Committee, and manage the portfolio of the Trust Fund.

The Secretary of Finance may designate an Undersecretary to represent the DOF as the Trust Fund Manager.

Section 6. Other Functions of the Trust Fund Manager. As the Trust Fund Manager, the DOF shall perform the following in addition to its other functions identified in these Rules:

- (a) Monitor market and economic trends and track securities in order to make informed investment decisions;
- (b) Recommend its portfolio strategy to the Trust Fund Management Committee;
- (c) In managing the portfolio, track financial results of the companies in the portfolio and its various metrics, such as but not limited to, price-to-earnings ratios, inflation-adjusted return, sales, earnings, and dividends;
- (d) Recommend to the Trust Fund Management Committee the designation of DDEs mandated to dispose or privatize non-cash Coconut Levy Assets;
- (e) Report to the Trust Fund Management Committee the performance of the Trust Fund and any updates on the Trust Fund portfolio; and
- (f) Perform other acts necessary to fulfill its mandate.

Section 7. Identification of the Trust Fund Portfolio. Pending the submission of the complete inventory and accounting of Coconut Levy Assets by the PCGG, the Trust Fund Manager shall, within three (3) months from the effectivity of these Rules, or when so required thereafter by the Trust Fund Management Committee, identify the assets that will initially form part of the Trust Fund portfolio, and report the same to the Trust Fund Management Committee.

The Trust Fund Manager shall reconcile its identified portfolio with the inventory and accounting of Coconut Levy Assets by the PCGG.

The Trust Fund Manager shall update the Trust Fund Portfolio in the following instances:

- (a) When Coconut Levy Assets are privatized or disposed;
- (b) When cases involving disputed assets are resolved with finality whether in favor of or against the government;
- (c) When there is a change in the valuation of an asset comprising the Trust Fund portfolio; and
- (d) When deemed necessary by the Trust Fund Manager.

Section 8. Preparation and Approval of the Investment Strategy. Subject to Rule VI, Section 9 of these Rules, the Trust Fund Manager shall submit to the Trust Fund Management Committee for its approval its recommended Investment Strategy as follows:

- (a) With respect to the Initial Trust Fund Portfolio, within six (6) months from the effectivity date of these Rules; and
- (b) With respect to additional assets subsequently transferred to the Trust Fund, within six (6) months from such transfer.

In the preparation of its recommended Investment Strategy and subject to applicable procurement laws, rules, and regulations, the Trust Fund Manager may procure the services of qualified third-parties to conduct business case studies and produce investment research reports for the reference of the Trust Fund Management Committee.

The Trust Fund Manager shall recommend to the Trust Fund Management Committee the appropriate Investment Strategy, which may include, but shall not be limited to, active fund management, income generation, capital appreciation, and/or sale or liquidation.

In case of a recommendation to privatize or dispose of a Coconut Levy Asset, the recommendation of the Trust Fund Manager shall include the timeline for the privatization or disposition, assigned DDEs, and the amount to be allocated for the budget of DDEs in relation to their functions under Rule VII.

Section 9. Investment of Coconut Levy Assets. The BTr shall invest the Trust Fund Principal in Philippine Government Securities and other securities guaranteed by the National Government. Securities guaranteed by the National Government shall include securities issued by the National Government's political subdivisions and instrumentalities including government-owned or controlled corporations. Any income, earning, or interest obtained from said investments shall be deposited to the Trust Fund Principal.



The BTr is authorized to perform all necessary actions required to execute any investment or sale of Philippine Government securities and other securities guaranteed by the National Government. Likewise, the BTr is authorized to execute any fund transfer transactions necessary to implement all the programs and activities authorized under the RA 11524.

On the other hand, the BTr may hold, manage, and invest non-cash Coconut Levy Assets only upon approval of the DOF as Trust Fund Manager. Subject to Rule IV, Section 2(a) of these Rules, proceeds from the disposition or privatization of non-cash Coconut Levy Assets shall form part of the Trust Fund Principal.

Section 10. Annual Allocation for Disbursement. The Trust Fund Manager shall propose to the Trust Fund Management Committee the amount of Annual Allocation for disbursement by the IAs; *Provided*, that such Annual Allocation shall be at least Five Billion Pesos (P5,000,000,000.00). In setting the amount of the Annual Allocation, the Trust Fund Manager and the Trust Fund Management Committee shall consider the following factors:

- (a) Size of the Trust Fund Principal;
- (b) Liquidity of the Trust Fund portfolio;
- (c) Status of the disposition and privatization plans;
- (d) Economic trends;
- (e) Government bond yields or returns to ROP securities; and
- (f) Such other factors deemed relevant by the Trust Fund Manager.

The disbursements to the IAs from the Trust Fund shall be subject to the issuance of the corresponding Notice of Cash Allocation, pursuant to EO No. 338, s. 1996, and other rules and regulations governing trust funds.

Section 11. Management and Custodianship of the Trust Fund. Section 12 of RA No. 11524 designated the BTr as the depository of the Trust Fund. As such, it shall perform the following functions:

- (a) Hold, account, and collect on a timely basis all current and future income, and other payments with respect to securities and other assets to which the Trust Fund shall be entitled to in the manner set forth by the DOF as the Trust Fund Manager;
- (b) Release and deliver out securities and other assets of the Trust Fund other than Philippine Government Securities and other securities guaranteed by the

National Government upon receipt of proper instructions from the Trust Fund Manager, specifying the securities or assets to be delivered out and the person or persons to whom the delivery is to be made.

- (c) Release funds directly to the designated government IAs in accordance with the Annual Allocation set by the Trust Fund Management Committee, the guidelines in Rule VI Section 3(h), and the Plan approved by the President;
- (d) Process the release of the budget of the DDEs in relation to their functions under Rule VII of these Rules, as approved by the Trust Fund Management Committee; and
- (e) Perform any act as may be directed by the Trust Fund Manager in accordance with the Investment Strategy set forth by the Trust Fund Management Committee.

Section 12. Trust Fund Management Expense. Subject to the approval of the Trust Fund Management Committee, an amount of one-half of one percent of the Trust Fund Principal for the year shall be utilized as Trust Fund Management Expense, and shall answer for the following:

- (a) All expenses directly incurred by the Trust Fund Management Committee in the preparation of the Investment Strategy and the management of the Trust Fund, including but not limited to transaction fees, redemption fees, placement fees, investment fees, transaction costs, and other operating expenses;
- (b) All expenses directly incurred by the DOF in the performance of its functions as Trust Fund Manager;
- (c) All expenses directly incurred by the DDEs in the preparation and implementation of the disposition/privatization plan; and
- (d) All expenses directly incurred by the BTr in the performance of its functions as Secretariat of the Trust Fund Management Committee and as depository of the Trust Fund.

The Trust Fund Management Expense shall not include charges for any expenditures of the Trust Fund Management Committee, the Trust Fund Manager, the Secretariat, or the DDEs, which are already covered by the GAA in pursuance of their mandates.

Any payment of the Trust Fund Management Expense out of the Trust Fund Principal shall be subject to applicable accounting and auditing laws, rules, and regulations.



Section 13. Report on the Performance of the Trust Fund. On the 30th of the month following the end of each quarter of the calendar year, the Trust Fund Manager shall submit to the Trust Fund Management Committee a report on the performance of the Trust Fund. The Trust Fund Manager may recommend to the Trust Fund Management Committee an amendment of the previously approved Investment Strategy in order to optimize the performance of the portfolio.

RULE VII

DISPOSITION OF NON-CASH COCONUT LEVY ASSETS

Section 1. Timeline to Privatize or Dispose Non-Cash Coconut Levy Assets. Coconut Levy Assets which are assigned by the Trust Fund Management Committee to DDEs shall be privatized or disposed subject to the regulatory approvals as required by law within the period of five (5) years from the effectivity RA No. 11524.

Coconut Levy Assets subsequently recovered after the effectivity of RA No. 11524, shall likewise be disposed of within five (5) years from the time it is declared as belonging to the government.

Nothing in these Rules shall preclude the Trust Fund Management Committee from privatizing or disposing of Disputed Non-Cash Coconut Levy Assets transferred to the Trust Fund pending dispute pursuant to Rule IV, Section 2(a) of these Rules, subject to the outcome of the case. The approval of the Trust Fund Management Committee shall be required before any acts of administration or ownership are performed respecting such Disputed Non-Cash Coconut Levy Assets.

Section 2. Jurisdiction of Regulatory Agencies. The disposition of Coconut Levy Assets under Rule VII of these Rules shall in no case exempt Coconut Levy Assets from the respective jurisdictions of the various applicable regulators, particularly the following:

- (a) BSP;
- (b) GCG;
- (c) IC; and
- (d) PDIC.

Section 3. Identification of Coconut Levy Assets for Privatization or Disposition. Pursuant to the Investment Strategy, the Trust Fund Management Committee shall identify the particular Coconut Levy Assets to be the subject of privatization or disposition. Upon identification of a particular Coconut Levy Asset, the Trust Fund Management Committee shall designate one or more DDEs to prepare a disposition plan for the consideration of the Trust Fund Management Committee.



The Trust Fund Management Committee may identify Disputed Coconut Levy Assets for privatization or disposition pending the final disposition of the relevant cases and proceedings.

Section 4. Preparation of Privatization or Disposition Plans. Within six (6) months from the designation of the Trust Fund Management Committee, the DDEs shall prepare a privatization or disposition plan for the approval of the Trust Fund Management Committee. The privatization or disposition plan shall contain the following information, among others:

- (a) Description of the assets;
- (b) Details on existing cases relative to the Assets, if any;
- (c) Appraisal of the Coconut Levy Asset under Rule VII, Section 6;
- (d) Recommended Mode of Disposition;
- (e) Recommended Actions Prior to Disposition under Rule VII, Section 5;
- (f) Budget for operations, management and privatization/disposition of Coconut Levy Assets and/or Funds transferred and entrusted under in its care; and
- (g) Other Relevant Information, as may be determined by the DDEs.

Section 5. Additional Mandate of DDEs. In addition to its powers, duties and functions, DDEs, as may be assigned by the Trust Fund Management Committee shall, for and in behalf of the National Government, take title to and possession of, conserve, provisionally manage, and dispose the Coconut Levy Assets which have been identified for privatization and disposition.

Subject to the approval of the Trust Fund Management Committee, the DDEs are hereby empowered to perform the functions specified in Section 14 of RA 11524.

Section 6. Prohibition on the Use of the Cash Component of Coconut Levy Assets for Maintenance and Operation Expenses. Consistent with RA No. 11524, the maintenance and operation expenses of the non-cash Coconut Levy Assets shall not, in any manner, be taken from the existing cash component of the Coconut Levy Assets; *Provided*, that once a non-cash Coconut Levy Asset is assigned to a DDE for privatization or disposition, the maintenance, operation, custodianship and other related expenses of such non-cash Coconut Levy Asset, for the duration of the disposition process, may be taken from the budget of the DDE, upon the recommendation of the Trust Fund Manager and as approved by the Trust Fund Management Committee.



Section 7. Required Approvals of the Trust Fund Management Committee. The Trust Fund Management Committee shall, on a particular Coconut Levy Asset, issue two (2) separate approvals on the following:

- (a) Disposition or privatization plan; and
- (b) Counterparty (e.g., buyer, joint venture partner, winning bidder, etc.)

Section 8. Privatization or Disposition Proceeds. Subject to Rule VII, Section 9 of these Rules, DDEs shall remit the proceeds from the privatization or disposition of Coconut Levy Assets to the BTr, which proceeds shall be deposited to the Trust Fund Principal and shall be invested in accordance with Rule VI, Section 9.

Section 9. Remittance of Proceeds. Consistent with RA No. 11524 and any provision of law to the contrary notwithstanding, all proceeds or receipts from the privatization or disposition of Coconut Levy Assets, except portions thereof for reimbursable custodianship and operational expenses, bid securities, performance bonds, or such amount approved by the Trust Fund Management Committee to be retained by the DDEs, shall be remitted to the BTr within sixty (60) days from receipt.

Section 10. Reporting Requirements. The Trust Fund Management Committee shall, every April and October of each year, submit to the President and to the Congressional Oversight Committee on Agriculture and Fisheries Modernization (COCAFAM) a report on the status of the disposition of the Coconut Levy Assets, which shall include, among others, a description of the individual assets disposed of, their purchasers, the consideration received, and the agreed terms of payment.

The DDEs shall, within three (3) months following the closure of books at the end of each fiscal year, submit a comprehensive annual report duly approved or endorsed by the PCA to the President and to the COCAFAM on the status of its privatization efforts and its disposition program for the Coconut Levy Assets, which shall include the items described in the immediately preceding paragraph.

RULE VIII FINAL PROVISIONS

Section 1. Suppletory Application of RA No. 10149. The provisions of RA No. 10149, otherwise known as the "GOCC Governance Act of 2011" insofar as they are not inconsistent with the provisions of this Act, shall apply suppletorily.

Section 2. Congressional Oversight. The COCAFAM shall exercise oversight on the implementation of RA 11524 and these Rules.



Section 3. Separability Clause. If any provision of these Rules is declared invalid or unconstitutional, the other provisions not affected by such declaration shall remain in full force and effect.

Section 4. Repealing Clause. All laws, executive orders, administrative orders, and rules and regulations inconsistent with RA No. 11524 and these Rules are hereby repealed or amended accordingly.

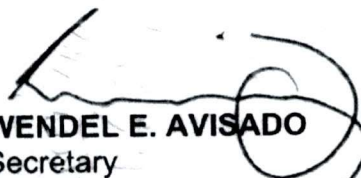
Section 5. Effectivity. These Rules shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved this 8th day of June, 2021.


CARLOS G. DOMINGUEZ


Secretary
Department of Finance




WENDEL E. AVISADO

Secretary
Department of Budget and Management




MENARDO I. GUEVARRA
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