



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Circular Letter No.:	2022-08
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Supersedes:	NONE

CIRCULAR LETTER

TO : ALL DOMESTIC INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : GUIDELINES ON THE IMPLEMENTATION OF REPUBLIC ACT NO. 11523 OR THE “FINANCIAL INSTITUTIONS STRATEGIC TRANSFER (FIST) ACT”

WHEREAS, the Coronavirus Disease 2019 (COVID-19) pandemic has greatly affected nations worldwide, including the Philippines, and the measures adopted by the government to contain the outbreak have unavoidably caused serious economic setbacks and tremendous financial pressure on markets and industries. Because of the unpredictability of the course and outcome of the health crisis, it is necessary to lay down the appropriate policies not only to marshal available resources towards the most affected and vulnerable sectors but more importantly, to strengthen the financial sector so that economic recovery can be achieved faster, and with more lasting positive effects;

WHEREAS, the State recognizes the role of insurance companies as mobilizers of savings and investments and in providing the needed financial system liquidity to keep the economy afloat. Thus, it is essential that insurance companies are able to maintain their financial health in order to cushion the adverse economic impact of the COVID-19 pandemic;

WHEREAS, on 16 February 2021, Republic Act No. 11523, otherwise known as the “Financial Institutions Strategic Transfer (FIST) Act”, was enacted into law as part of the country’s response to the adverse economic effects of the COVID-19 pandemic;

WHEREAS, on 26 March 2021, the Department of Finance (DOF), Bangko Sentral ng Pilipinas (BSP), Securities Exchange Commission (SEC), and Bureau of Internal Revenue (BIR), issued the Implementing Rules and Regulations (IRR) of the Financial Institutions Strategic Transfer (FIST) Act;

WHEREAS, insurance companies are identified under the FIST Act and its IRR as one of the credit-granting institutions that may invest in, as well as transfer non-performing assets (NPAs) to, Financial Institutions Strategic Transfer Corporations (FISTCs). Hence, there is a need for this Commission to prescribe rules and regulations governing such investments in and transfers of NPAs to FISTCs;

NOW, THEREFORE, pursuant to the statutory authority of the Insurance Commissioner under Section 437 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, to issue rulings, instructions, circulars, orders, and decisions as may be deemed necessary to secure the enforcement of the provisions of the same Code and to ensure efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public, the following *“Guidelines on the Implementation of Republic Act No. 11523 or the Financial Institutions Strategic Transfer (FIST) Act”* are hereby adopted and promulgated, to wit:

Section 1. Definitions. – As used in this Circular Letter, the term:

- (a) *“Act”* is Republic Act No. 11523 also known as the *“Financial Institutions Strategic Transfer (FIST) Act”*;
- (b) *“Certificate of Eligibility”* or *“COE”* refers to the certificate issued by this Commission as to the eligibility of the Non-Performing Loans (NPL) or Real and Other Properties Acquired (ROPA) for the purposes of availing the tax exemptions and privileges pursuant to the provisions of the Act.
- (c) *“Individual”* shall mean a natural person who, subject to certain conditions provided under the Act, is entitled to the tax exemptions and fee privileges under the same Act;
- (d) *“Investment Unit Instruments”* or *“IUIs”* refer to a participation certificate, debt instrument or similar instrument issued by the FISTC and subscribed by an insurance company pursuant to an Approved Plan: Provided, That these shall not include the instruments to be issued by the FISTC to the selling insurance company as full or partial settlement of the NPAs transferred to the said FISTC: Provided, further, That such issuances of the FISTC shall not be considered as deposit substitutes: Provided, finally, That these shall not form part of the capital stock of the FISTC. In this regard, loans, advances or other credit accommodations obtained by the FISTC from any credit-granting institution under Section 3.1.(m) of the IRR of the Act (other than the selling insurance company) or from its shareholders shall not be considered an IUI under this Circular Letter.
- (e) *“Non-Performing Assets (NPAs)”* refer to the NPLs and ROPAs by insurance companies;
- (f) *“Non-Performing Loans (NPLs)”* refer to secured or unsecured loans, receivables, and other financial assets of similar nature, including restructured loans, whose principal and/or interest have remained unpaid for at least ninety (90) days after they have become past due or any of the events of default under the loan or restructuring agreement has occurred;
- (g) *“ROPAs”* refer to real and other properties acquired by an insurance company in settlement of loans and receivables, including real properties, shares of stocks, and personal properties that have been acquired by way of dation in