

## **TRUST AND OTHER FIDUCIARY / INVESTMENT PRODUCTS**

The Industry offers a myriad of products designed primarily to the investment requirements of the more sophisticated clientele demanding more specific fund management customization but without the traditional bank guaranty of return. The more popular products available through TOAP's member-institutions are:

### **Basic Fund Management Services**

A financial service open to both corporate and individual clients with investible funds opting to place their corporate / personal assets under the management of professional investment advisers. The Trust Entity normally assigns an individual portfolio manager to oversee the fund's investment. The client gets a regular accounting of his investments and may avail of a customized investment portfolio depending on his needs, the size of the fund and a particular Trust Entity's internal parameters.

### **Employee Benefit Plans Under Trust**

These are Corporate Trust arrangements where the beneficiaries are employees of corporations. These cover agreements where the Trustee holds funds accumulated from a corporation or its employees, or both, to be used for lumpsum or other periodical payments for retired or incapacitated employees of such corporation in accordance with a private plan adopted by the corporation. The most common example under this arrangement is a "Pension Trust" drawn by an employer under the Labor Code for mandatory payment of retirement benefits and the Tax Code's requirement that a private retirement plan can only enjoy specific tax exemption if the same is "trusteed".

### **Personal Living Trust**

Created at the instance of an Individual who wishes to institute a separate Trust Estate out of his general estate, for the benefit of a named beneficiary. Arrangement such as this normally incorporates an estate planning scheme for the administration and disposition of an individual's property during his lifetime and at his death, as usually set forth in his will.

### **Administratorship**

Arrangement arising out of property administration agreements or those created under orders of courts of competent jurisdiction to manage and distribute the estate of a decedent without a will or a testator who has no executor. The trustee or fiduciary is normally empowered to perform some specific functions, such as enter into contracts of lease, collect rentals due to the property and to pay taxes that may be levied thereon.

### **Advisory**

Under this role, the institutional trustee makes financial recommendations to the client as in, for example, the proper timing for selling or buying stocks, or which investment outlets to go into for maximization of yields or the prospects of foreign currency investment, or transfer of assets at least tax cost, etc. In addition to the financial advice, the client gets access to the in-depth and comprehensive investment research and analysis available to the institutional trustee because of its resources and extensive network. Some smart owners of big portfolios split their money among several investment advisory accounts with different institutional trustees and, after comparing the financial recommendations of these financial advisors, make their investment decisions based on where of well informed opinion lies.

### **Safekeeping**

The property owner turns over his securities and other valuables to the institutional trustee as agent. The institutional trustee has no other duty than to keep them safely and in due time return them to the owner or deliver them upon the owner's order or instructions.

### **Escrow**

The institutional trustee as escrow agent for two contracting parties protects their individual interests by ensuring that the terms and conditions mutually agreed upon by these two parties in a separate contract, are fulfilled. As a disinterested party, the escrow account agent holds in custody the properties delivered to it by each of the contracting parties. The escrow agent monitors the conditions upon the performance of which, or the event upon the occurrence of which, the escrow agent shall deliver specific assets to the party entitled to receive them in accordance with the agreement between the parties. This service is convenient for transactions such as buying/selling on installment basis, or disposition of assets subject to mandated restrictions or clearances.

### **Mortgage**

Most indentures, so as to attract the investing public more effectively, impose a direct lien on the fixed assets of the company whereby the fixed assets of the company are mortgaged in favor of the trustee acting for and in behalf of the lenders. Because of this, additional duties are incumbent upon the borrowing company. This usually comes in the form of specific restrictions on the borrowing company to ensure that the mortgaged assets will not be impaired in value. The trustee receives specific periodic reports to see to it that the borrowing company to ensure that mortgaged assets will not be impaired in value. The trustee receives specific periodic reports to see to it that the borrowing corporation is complying with its commitments. Sometimes the assets offered as security are equipment, real estate or simply blocks of shares of stock.

In both the above corporate trust arrangements, the trustee is bound to minister and attend to the property placed in trust as security. The trustee must see to it that the borrowing company complies with the terms and conditions of the trust indenture and, if necessary, take remedial steps to protect the lenders in case of borrower's default. Prior to any breach, the trustee simply holds the property as security for the benefit of the lenders.

### **Custodianship**

Accountability of the trustee or fiduciary with the trustor or principal under custodianship and safekeeping agreements or on orders of court of competent jurisdiction whereby the trustee or fiduciary keeps in its possession tangible properties or titles to such properties and other titles or documents of ownership.

### **Trusteeship of Pre-Need Plans**

Trusteed arrangement with a corporate-trustor which operates pre-need plans and are required by government regulatory agencies to maintain trust accounts for such activities.

### **Unit Investment Trust Fund**

A Unit Investment Trust Fund (UITF) is an open-ended pooled trust fund denominated in pesos or any acceptable currency, which is operated and administered by a trust entity and made available by participation. Each UITF product is governed by a Declaration of Trust (or Plan Rules) which contains the mechanics for investing, operating and administering the fund.