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MEMORANDUM

THE PHILIPPINE STOCK EXCHANGE, INC.

- ☐ Trading
- ☐ Disclosure
- ☐ Listing
- ☐ Public Advisory
- ☐ Administrative/Technology Matters
- ☑ Others: Proposed Rule Amendments

TO : **MARKET PARTICIPANTS**

SUBJECT : **PROPOSED AMENDMENTS TO THE RULE ON INITIAL LISTING THROUGH PREFERRED SHARES OFFERING**

DATE : **April 21, 2026**

The Exchange is inviting all interested parties to submit their comments on the proposed amendments to the Rule on Initial Listing through Preferred Shares Offering, as discussed in the attached Consultation Paper.

Comments may be sent to the Office of the General Counsel at ogc_list@pse.com.ph until May 5, 2026.

(Original Signed)
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President and CEO

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The Philippine Stock Exchange, Inc.

Consultation Paper

PROPOSED AMENDMENTS TO THE RULE ON INITIAL LISTING THROUGH PREFERRED SHARES OFFERING

Disclaimer: This Consultation Paper is disseminated for the purpose of soliciting comments from the concerned stakeholders. The final version of the Rules may differ from the draft rules contained in this Consultation Paper.

I. Consultation Process

This Consultation Paper is circulated to give concerned stakeholders an opportunity to submit their comments, if any, on the proposed amendments to the Rule on Initial Listing through Preferred Shares Offering.

Interested parties may submit their comments and requests for clarifications by e-mail to ogc_list@pse.com.ph until May 5, 2026.

II. Proposed Rule Amendments and Rationale

1. Minimum Offering to the Public

To democratize access to the stock market and allow SMEs who have smaller funding needs to qualify for listing under the Rule on Initial Listing through Preferred Shares Offering, the Exchange proposes to lower the minimum offer size requirement from One Billion Pesos (Php1,000,000,000.00) to **One Hundred Million Pesos (Php100,000,000.00).** This is double the offering limit under the Rules and Regulations Governing Crowdfunding, a platform often tapped by SMEs, and is equivalent to the minimum offering requirement applicable to small-cap IPO applicants or those with market capitalization of over Php500 million to Php1 billion.[1]

2. Minimum Number of Stockholders upon Listing

Since the minimum offer size is proposed to be reduced by 10x, the Exchange proposes to proportionally adjust the minimum number of stockholders required upon listing from 1,000 to **100 stockholders**. Otherwise, the maximum subscription of each investor to a Php100 million offer would only be Php100,000.00, which is the same as the subscription limit for local small investors.

3. Minimum Public Ownership requirement Post-Listing

In line with SEC Memorandum Circular No. 11, series of 2026 ("SEC MC No. 11-2026"), the Exchange proposes to change the minimum public float requirement from 20% to the level required by SEC MC No. 11-2026, which ranges from 15% to 20%, depending on the company's market capitalization at the time of listing. In some cases, the Exchange may endorse a lower public float requirement but in no case lower than 12%. For the purpose of determining the applicable minimum float requirement, the company's market capitalization shall be based on its outstanding and listed preferred shares.

[1] Section 1(e) of Article III, Part D and Section 1(g) of Article III, Part E of PSE Consolidated Listing and Disclosure Rules (the "PSE Consolidated Rules").

The public float shall likewise be computed only on the outstanding and listed preferred shares.

4. Streamlining of Disclosure Requirements

Given that investors' decision to trade or hold preferred shares is primarily focused on the dividend rate and issuer's creditworthiness, dividend coverage, and cash flow stability, the Exchange plans to rationalize the 17-C reportorial obligations of issuers and retain only those that affect or may affect the issuer's ability to pay dividends.

For instance, resignation or removal of directors or officers, change of address, and other developments which will not affect issuer's capacity to pay dividends will be removed from

the list of events mandating prompt disclosure by "preferred shares-only" issuers, reducing the number of immediately disclosable matters from 42 to 29.

The specified disclosure rules shall apply to "preferred shares-only" issuers to a limited extent. For example, the required disclosure of the acquisition of outstanding shares and the sale of treasury shares under Section 9 of Article VII of the PSE Consolidated Rules shall be limited to outstanding preferred shares and the preferred shares held in treasury, respectively, even if the Issuer also has outstanding but unlisted common shares. Similarly, the disclosure required in relation to shares held under voluntary lock-up under Section 11 of Article VII of the PSE Consolidated Rules shall have limited application to listed preferred shares held under escrow.

Further, certain disclosure rules shall not be applied, specifically the requirement to submit physical copies of the Amended Articles of Incorporation and By-Laws within two (2) trading days,[2] the requirement to disclose the acquisition by the issuer's subsidiaries, affiliates and others,[3] the submission of the report on the issuer's number of shareholders,[4] and the submission of the issuer's list of top 100 stockholders.[5]

The submission of annual verification of the Mines and Geosciences Bureau, and the Department of Energy for companies under the specified industries have also been added.

5. Modified Penalty Framework

Lastly, consistent with the particular investment considerations of preferred-share investors, the Exchange proposes to amend the penalties for violation/s of the disclosure requirements.

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[2] Section 8 of Article VII of the PSE Consolidated Rules.
[3] Section 10 of Article VII of the PSE Consolidated Rules.
[4] Section 17.6 of Article VII of the PSE Consolidated Rules.
[5] Section 17.12 of Article VII of the PSE Consolidated Rules.

For non-compliance with structured continuing disclosure requirements, the scale of fines under Section 1 of Article VIII of the PSE Consolidated Rules is retained. With respect to violations of unstructured disclosure requirements, the Exchange shall no longer categorize such breaches as Level 1 or Level 2. Only Level 1 penalties under Section 2 of Article VIII under the PSE Consolidated Rules shall apply.

Finally, the Exchange proposes modified penalties for violations of the black-out rule, the non-disclosure, delayed disclosure, or inaccurate disclosure relating to or affecting the redemption of preferred shares, dividend declaration to the holders of preferred shares, changes in the terms and features of preferred shares, changes in the rights of preferred shareholders and other similar matters, and for violations relative to the changes in shareholdings of directors and principal officers.

A copy of the Rule on Initial Listing through Preferred Shares Offering, with the proposed amendments underlined, is attached as **Annex "A"**.

ANNEX "A"

ARTICLE III
EQUITY SECURITIES

PART H
RULE ON INITIAL LISTING THROUGH PREFERRED SHARES OFFERING

SECTION 1. Coverage – These Rules shall govern the initial listing of an Applicant Company through an offering of preferred shares without listing its common shares.

SECTION 2. Applicability of Existing Rules – Except as provided below, Article III, Parts A to F of the PSE Consolidated Listing and Disclosure Rules (the "Consolidated Rules") shall apply to the initial listing of an Applicant Company through an offering of preferred shares. The disclosure obligations and penalties in Articles VII and VIII of the PSE Consolidated Rules shall likewise apply, unless otherwise stated herein.

Furthermore, the supplemental rules and guidance notes likewise apply to the initial listing of an Applicant Company through an offering of preferred shares, unless otherwise provided herein.

SECTION 3. Minimum Offering to the Public – Notwithstanding any provision in the PSE Consolidated Listing and Disclosure Rules to the contrary, the minimum offering to the public for initial listing on the Main Board or SME Board shall be One Hundred Million Pesos (Php100,000,000.00).

SECTION 4. Minimum Number of Stockholders – Upon listing, the Applicant Company shall have at least one hundred (100) stockholders, each owning stocks equivalent to at least one (1) board lot.

SECTION 5. Minimum Public Ownership requirement Post-Listing – Upon and after listing, the company shall maintain, at all times, the minimum public ownership level applicable to it under SEC Memorandum Circular No. 11, series of 2026, as may be amended from time to time, or such other percentage as may be prescribed by the Exchange. The public float shall be computed only on the outstanding and listed preferred shares.

SECTION 6. Lock-Up –

(a) If there is any issuance or transfer of preferred shares (*i.e.*, private placement, asset for shares swap or a similar transaction), or of instruments which leads to an issuance or transfer of preferred shares (*i.e.*, convertible bonds, warrants or a similar instrument) done and fully paid for within one hundred eighty (180) days prior to the start of the Offering Period, and the transaction price is lower than that of the offer price in the Initial Public

Offering (IPO), all shares availed of shall be subject to a lock-up period of at least three hundred sixty-five (365) days from the full payment of the said shares.

(b) The lock-up requirement shall be stated in the Articles of Incorporation of the Applicant Company.

(c) The foregoing lock-up requirement shall be implemented in the manner provided in Section 18, Part A, Article III of the PSE Consolidated Rules, or any amendment thereto.

(d) The foregoing lock-up requirement will not apply to a listed company that transfers to the Main Board if the lock-up period set out above, whichever is applicable, has been fully complied with while listed in the SME Board. Otherwise, the difference between the applicable lock-up period and the actual lock-up of shares shall be observed.

SECTION 7. - Offering Period to Local Small Investors – While the public offering period under these Rules is five (5) Trading Days, the period within which to offer the shares to the local small investors shall only be three (3) Trading Days.

SECTION 8. Listing of Common Shares – The Applicant Company shall have discretion to subsequently list its common shares.

SECTION 9. Other Prohibitions –

(a) Companies mandated by law or applicable regulation to list or offer their shares to the public shall not be qualified to list under these Rules; and

(b) Any company that lists under these Rules cannot list by way of introduction.

SECTION 10. Events Mandating Prompt Disclosure – Events that affect or may reasonably be expected to affect Issuer's ability to pay dividends must be disclosed to the Exchange in compliance with Section 4.1, Article VII of the PSE Consolidated Rules. The following events, while not comprising all disclosable situations, must be promptly disclosed to the Exchange:

a. Any amendment to the terms or features of the preferred shares,
b. Issuer's default or non-compliance with the terms of the offering such as but not limited to failure to redeem on mandatory redemption date or upon the happening of events triggering redemption and payment of dividends to common stockholders ahead of preferred shareholders;
c. Material default by Issuer in the payment of principal, interest, or any other indebtedness of the Issuer or any of its significant subsidiaries which is not cured within thirty (30) days;
d. Any change in the credit rating of the Issuer and/or preferred shares;

e. Changes in the rights of preferred shareholders;
f. Any declaration of cash dividend, stock dividend and waiver of pre-emptive rights by the Board of Directors and the Shareholders, as the case may be;
g. A change in control of the Issuer;
h. The filing of any legal proceeding by or against the Issuer and/or any of its significant subsidiaries, involving a claim amounting to ten percent (10%) or more of the Issuer's total current assets;
i. Changes in the Issuer's corporate purpose and any material alterations in the Issuer's activities or operations or the initiation of new ones;
j. Any decision to carry out extraordinary investments that might have a material impact on the Issuer's financial condition, including the subsequent execution thereof;
k. Losses or potential losses amounting in aggregate to at least 10% of the consolidated total assets of the Issuer;
l. Occurrence of any event of dissolution;
m. Circumstances that might seriously obstruct the development of corporate activities, specifying its implications on the Issuer's business;
n. Cancellation of any licensing or franchising agreement which may materially affect the Issuer's operations;
o. Any action filed in court, or any application filed with the Commission, to dissolve or wind-up the Issuer or any of its significant subsidiaries, or any amendment to the Articles of Incorporation shortening its corporate term;
p. Any decision to enter into transactions that may have material impact on the Issuer's financial condition, and any subsequent execution thereof;
q. Creation of mortgages or pledges on assets exceeding ten percent (10%) or more of the Issuer's total assets;
r. Contracts of any nature that might limit the distribution of profits;
s. Facts of any nature that materially affect or might materially affect the economic, financial or equity situation of the Issuer including the sale of a substantial part of its assets;
t. The appointment of a receiver or liquidator for the Issuer;
u. Any sale made by the Issuer of its shareholdings in a significant subsidiary: (1) resulting in such corporation ceasing to be its subsidiary; or (2) resulting in its shareholding falling below ten percent (10%) of the issued capital stock;
v. Firm evidence of significant improvement or deterioration in near-term earnings prospects;
w. The purchase or sale of assets amounting to ten percent (10%) or more of the Issuer's total assets other than in the ordinary course of business;
x. The borrowing of a significant amount of funds not in the ordinary course of business;
y. Deviation from capital investment funds equivalent to twenty percent (20%) of the original amount appropriated;
z. An increase or decrease by ten percent (10%) in the monthly, quarterly and annual revenues on a year-on-year basis;

aa. Any proposal by the Board of Directors to amend the Issuer's Articles of Incorporation or By-Laws insofar as the amendments affect or may reasonably be expected to affect the Issuer's ability to pay dividends, and the subsequent approval thereof by the Issuer's stockholders and the Commission. Electronic copies of the Amended Articles of Incorporation or By-Laws, and the Certificate of Filing thereof issued by the Commission upon its approval shall likewise be submitted to the Exchange; and

bb. Any planned acquisition of its preferred shares or disposition of preferred shares held in treasury, upon approval of the Board of Directors.

SECTION 11. Disclosure of Acquisition of Outstanding Preferred Shares and Sale of Preferred Shares held in Treasury –In addition to the disclosure of any planned acquisition by the Issuer of outstanding preferred shares or disposition of preferred shares held in treasury pursuant to Section 10 above, the Issuer must also submit a disclosure regarding the actual number of preferred shares and the transaction price for each acquisition or disposition of its own shares prior to the pre-open period of the next Trading Day after the transaction was executed. The planned acquisition or disposition must likewise be in accordance with the rules and regulations of the Commission.

SECTION 12. Disclosure of Pending Release of Listed Preferred Shares Held Under Voluntary Lock-up – The Issuer must notify the Exchange of the release of the listed preferred shares held under escrow not earlier than fifteen (15) Trading Days but not later than ten (10) Trading Days before the end of the voluntary lock-up period.

SECTION 13. Annual Verification of the Mines and Geosciences Bureau – Mining companies and other companies with interest on mining activities, including their subsidiaries, whose preferred shares are listed on the Exchange are required to submit, on or before the end of March of each calendar year, a Certification from the Mines and Geosciences Bureau or its equivalent that: (a) the listed mining company's properties are still valid and subsisting and that said properties are being developed according to the work program of the mining company; and, (b) the listed mining company's claims/leases are still valid at the time of the issuance of the Certification, with a disclosure of all liens and encumbrances, if any.

SECTION 14. Annual Verification of the Department of Energy – Petroleum, Renewable Energy, or Natural Gas Service Contractors and other companies with interest on petroleum, renewable energy, and/or natural gas assets, including their subsidiaries, whose preferred shares are listed on the Exchange are required to submit, on or before the end of March of each calendar year, a Certification from the Department of Energy (the "DOE") that their Service Contracts are still valid and subsisting and that it has no pending violations with the DOE.

SECTION 15. Disclosures that are not required. The disclosure of the acquisition or disposition of Issuer's shares by the Issuer's subsidiaries, affiliates and other entities

controlled or managed by the Issuer under Section 10, the report on the number of shareholders under Section 17.6, and the list of Top 100 stockholders under Section 17.12, Article VII of the PSE Consolidated Rules are no longer required to be submitted under these Rules.

SECTION 16. Scale of Fines for Non-Compliance with Structured Continuing Disclosure Requirements – For failure to comply with the structured continuing disclosure requirements, the following fines and penalties shall be accordingly imposed against the Issuer:

Total Assets (Based on Latest FS at the time of violation)	Basic Penalty	Per Day Penalty	Maximum Penalty Per Year/Per Violation
Less than ₱25.0 M	₱5,000.00	₱500/day of delay	₱50,000.00
₱25.0 M to Less than ₱30.0 M	₱6,000.00	₱600/day of delay	₱60,000.00
₱30.0 M to Less than ₱45.0 M	₱7,000.00	₱700/day of delay	₱70,000.00
P45.0 M to Less than P50.0 M	₱8,000.00	₱800/day of delay	₱80,000.00
₱50.0 M to Less than P60.0 M	₱9,000.00	₱900/day of delay	₱90,000.00
₱60.0 M to Less than P80.0 M	₱10,000.00	₱1,000/day of delay	₱100,000.00
₱80.0 M to Less than P100.0 M	₱12,000.00	₱1,200/day of delay	₱120,000.00
₱100.0 M to Less than ₱150.0 M	₱14,000.00	₱1,400/day of delay	₱140,000.00
₱150.0 M to Less than P200.0 M	₱16,000.00	₱1,600/day of delay	₱160,000.00
₱200.0 M to Less than P250.0 M	₱18,000.00	₱1,800/day of delay	₱180,000.00
₱250.0 M to Less than ₱300.0 M	₱20,000.00	₱2,000/day of delay	₱200,000.00
₱300.0 M to Less than ₱350.0 M	₱22,500.00	₱2,250/day of delay	₱225,000.00
₱350.0 M to Less than ₱400.0 M	₱25,500.00	₱2,550/day of delay	₱250,00.00
₱400.0 M to Less than ₱450.0 M	₱27,500.00	₱2,750/day of delay	₱275,000.00
₱450.0 M to Less than ₱500.0 M	₱30,000.00	₱3,000/day of delay	₱300,000.00
₱500.0 M to Less than ₱600.0 M	₱33,000.00	₱3,300/day of delay	₱330,000.00
₱600.0 M to Less than ₱700.0 M	₱36,000.00	₱3,600/day of delay	₱360,000.00
₱700.0 M to Less than ₱800.0 M	₱39,000.00	₱3,900/day of delay	₱390,000.00
₱800.0 M to Less than ₱900.0 M	₱42,000.00	₱4,200/day of delay	₱420,000.00
₱900.0 M to Less than ₱1.0 B	₱45,000.00	₱4,500/day of delay	₱450,000.00
₱1.0 B and above	₱50,000.00	₱5,000/day of delay	₱500,000.00

SECTION 17. Penalty for Non-Compliance with Unstructured Disclosure Requirements – Any violation of unstructured disclosure requirements committed by listed companies covered by these Rules within a twelve-month period shall make the Issuer liable for the following penalties:

(a) General. - Any violation of Issuer's disclosure obligations shall merit the following penalties, except when a different scale of penalties is prescribed elsewhere in these Rules:

	Basic Penalty
1st violation	Written reprimand
2nd and subsequent violations	Basic penalty shall be based on the total assets as provided in Section 15 on the scale of fines for non-compliance with structured continuing disclosure requirements.

(b) Violation of the black-out rule and non-/delayed/inaccurate disclosure of developments affecting the rights of preferred shareholders. - Violation of the black-out rule and/or the non-disclosure, delayed disclosure, or inaccurate disclosure relating to or affecting the redemption of preferred shares, dividend declaration to the holders of preferred shares, changes in the terms and features of preferred shares, changes in the rights of preferred shareholders, any change in the shareholdings of directors and principal officers resulting in a change in control of the issuer, and other similar disclosures shall merit the following penalties:

	Basic Penalty
1st violation	₱50,000
2nd violation	₱75,000
3rd violation	₱100,000
4th violation and subsequent violations	₱200,000, subject to the Exchange's discretion to suspend trading or initiate delisting proceedings

(c) Violations relative to the changes in shareholdings of directors and principal officers which does not affect issuer control. - Non-disclosure, delayed disclosure, or inaccurate disclosure of any change in the shareholdings of directors and principal officers which does not result in change in control of the issuer shall merit the following penalties:

	Basic penalty for transactions where there is no change in control of the issuer
1st violation	Written reprimand

2nd and subsequent violations	5% of the total transaction value

In addition to the basic penalties above, a fine of ₱1,000.00 shall be imposed for each Trading Day during which the offense continues until and including the day on which the violation is rectified.