

## ARTICLE I GENERAL OBJECTIVES AND PRINCIPLES

### PART A GENERAL

**SECTION 1. Objective** – The principal objectives of the Exchange are to provide a fair, orderly, efficient and transparent market for the trading of securities and to determine the suitability of securities for listing for the protection of the public interest at all times.

*Note: The term “Exchange,” as used in the Rules, shall refer to The Philippine Stock Exchange, Inc.*

**SECTION 2. Purpose of the Rules** – The purposes of the Rules are to define and explain the policies and requirements for the listing of securities and the manner these securities are to be offered and to provide for the maintenance requirements for the continued listing of these securities.

*Note: The Consolidated Listing and Disclosure Rules, including any and all amendments as of date of publication of the Rules, shall hereinafter be referred to as the “Rules.”*

**SECTION 3. General Principles** – The Rules seek to establish, develop and maintain public confidence in the market. For this purpose, the Exchange shall require that:

- (a) Applicant Companies comply with the laws, regulations and full disclosure rules and policies of the Government;

*Notes: The term “Applicant Company” shall be used in the Rules interchangeably with the term “Issuer,” “Corporation,” “Listed Company,” or “Company.”*

*The term “Government,” as used in the Rules, shall refer to the Government of the Republic of the Philippines, including all its instrumentalities.*

- (b) Applicant Companies have standards of quality, operations, and size under efficient and effective management;
- (c) The issuance, offering and marketing of securities be conducted in a fair and orderly manner and the securities be widely and equitably distributed to the public;
- (d) The public be given adequate, fair, timely and accurate information about Applicant Companies and their securities, to enable it to make informed investment decisions;
- (e) Applications for listing on the Exchange be evaluated with fairness and equity; and

- (f) Directors and officers of the Applicant Company act in the interest of all their security holders as a whole, particularly where the public represents only a minority of the security holders or where a director or security holder owning a substantial amount of shares has a material interest in a transaction entered into by the Applicant Company.

**SECTION 4. Coverage on the Various Articles** – Unless otherwise specified in the particular article or section, the Rules shall be applicable generally to all listing of securities covered by the First Board, Second Board and the Small & Medium Enterprises (“SME”) Board.

*Note: On 20 May 2013, the Commission approved the Exchange’s proposed rules for Listing in the Main and Small, Medium and Emerging Boards of PSE (“Main and SME Board Listing Rules”), which supersede Parts D, E, and F of the Rules.*

**SECTION 5. Compliance with Laws, Rules and Regulations** – Applicant Companies shall be bound by the Rules, the relevant laws of the Republic of the Philippines, the Listing Agreement and the rules, regulations and policies promulgated by the Commission and the Exchange.

*Note: The term “Commission,” as used in the Rules, shall refer to the Securities and Exchange Commission.*

**SECTION 6. Applicability of the Rules** – All Applicant Companies and Listed Companies shall be bound by the provisions of the Rules, including all subsequent rules and amendments thereto.

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### PART B SUITABILITY RULE

*Note: For companies applying for initial listing, the Applicant Company shall submit a sworn undertaking from the highest-ranking corporate officer and Corporate Secretary to disclose to the Exchange within twenty-four (24) hours from the Applicant Company's knowledge of:*

- i. any change or development on any matter stated in all the Certifications submitted by the Corporate Secretary and each director, officer, promoter and/or control person; and/or*
- ii. the filing of any case by or against the Applicant Company and/or any of its directors, officers, promoters and/or control persons stating the relevant information thereon such as case title, names of the parties, case no., the judicial, quasi-judicial, administrative, executive or regulatory entity/body where the case is filed or initiated, the nature of the case, the brief description of the facts and issues involved, the amount involved (if applicable) and the current status thereof; and*
- iii. any material information, corporate act, development or event which would reasonably be expected to affect investors' decision in relation to the trading of its securities that may transpire from the date of filing of the listing application until listing date.*

**SECTION 1. Suitability Rule; Disqualifications from Listing of Securities** - The Exchange retains full discretion to accept or reject listing applications. In reaching its decision, the Exchange shall consider the following grounds for disqualification from listing of securities in the Exchange:

- (a) The Issuer fails to demonstrate its stable financial condition and prospects for continuing growth. For purposes of determining prospects for continuing growth, the steps that have been taken and to be undertaken in order to advance its business over a period of three (3) years under the statement of active business pursuits and objectives shall be used;
- (b) Any material representation or warranty made by the Issuer in its Listing Application, and other related documents submitted in relation thereto, is proven to have been incomplete, incorrect or misleading at the time it was made or deemed to have been made;
- (c) There is a serious question relating to the integrity or capability of the Issuer or any of its director, executive officer, promoter or control person. A serious question exists relative to the above persons and/or entities if, during the past five (5) years, any of the following events occurred:
  - (i) Any petition for insolvency was filed by or against the Issuer or any of its directors or any business of which any of its directors was a director, general partner or executive officer

either at the time of the insolvency or within two (2) years prior to that time;

*Note: While the Exchange's Suitability Rule only refers to a "petition for insolvency," the same cannot be construed as to exclude similar proceedings relating to indebtedness such as, but not limited to, bankruptcy, liquidation, rehabilitation and receivership.*

- (ii) Any conviction by final judgment in a criminal proceeding for an offense involving moral turpitude, domestic or foreign, including a *nollo contendere* case, or being subject to a pending criminal proceeding for an offense involving moral turpitude, domestic or foreign, excluding traffic violations and other minor offenses;

*Note: The Exchange shall only consider, in connection with the Suitability Rule, criminal cases involving moral turpitude where there was already a conviction in the Regional Trial Court (or Municipal Trial Court and other trial courts) in determining the suitability of listed and Applicant Companies. This is pursuant to the constitutional precept on presumption of innocence and in recognition of its duty to protect the investing public.*

*Thus, with respect to pending criminal cases for estafa, plunder and violations of the Anti-Graft and Corrupt Practices Act which cases involve moral turpitude in accordance with Supreme Court decisions, and where trial courts have NOT yet rendered any decision, the pendency of said criminal proceedings will not be considered as a ground for the rejection of the listing of securities of Applicant Companies. (Guidance Note 1 – PSE Memo for Brokers dated 27 November 2007 re: Interpretation of the Suitability Rule of the Exchange)*

- (iii) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
  - (iv) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.
- (d) The Issuer engages in operations which are contrary to the public interest, public morals, good customs, laws, rules and regulations, public order or public policy;

- (e) There exists an action or claim against all or substantially all (as defined under Section 40 of the Corporation Code of the Philippines) of the Applicant Company's property;
- (f) The Issuer or any of its officers and directors has become the subject of legal proceedings for suspension of payments or other debt relief within the past five (5) years, or otherwise becomes unable to pay its debts as they mature or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, creditors or any class thereof, or shall declare a moratorium on indebtedness;
- (g) The Issuer has applied for or has consented to the appointment of any receiver, trustee or similar officer, for its or substantially all of its property pursuant to the Rules of Court or other relevant laws; or a competent court, arbitrator or government agency appoints such officer, for the Applicant Company for all or substantially all of its property;
- (h) The introduction of a new law or regulation or any change in existing laws or regulations, which has a material and adverse effect on the Issuer;
- (i) There is a change or impending change in any law, rule, regulation, administrative practice or interpretation that could materially affect any of the features, yield or marketability of the securities sought to be listed;
- (j) An order is issued by the Commission or any government agency canceling, terminating, suspending or otherwise prohibiting the listing of securities of the Issuer;
- (k) The Exchange has determined that the transaction entered into between the Issuer and its directors and/or officers poses material conflict(s) of interests and are disadvantageous to the Issuer using the following criteria:
  - (i) The arrangement is unnecessary or not beneficial to the operations of the Issuer;
  - (ii) The terms of the arrangement are not the same or less favorable than those which may be obtained from other persons;
  - (iii) The transaction has not been ratified by independent directors and/or shareholders;
  - (iv) The transaction has not been adequately disclosed to existing shareholders.

- (l) The Issuer fails to comply with published rules and requirements which the Exchange may deem necessary and hereinafter prescribe; and
- (m) Any other event or circumstance which, in the judgment of the Exchange in its conduct of due diligence, may render the listing of the Applicant Company's shares inconsistent with the Rules.