



MEMORANDUM

No.2009-0316

The Philippine Stock Exchange, Inc.

_____ Trading Rules	_____ Computer Systems Update
_____ Membership Rules	_____ Administrative Matters
_____ Listing Rules	_____ Others: _____

TO : ALL TRADING PARTICIPANTS

DATE : 18 June 2009

SUBJECT : Approval by SEC of Rules Governing Trading Rights and Trading Participants

Please be informed that the Securities and Exchange Commission ("SEC") approved on 28 May 2009 the Exchange's Rules Governing Trading Rights and Trading Participants. These rules supersede the dated Membership Rules of the Exchange. Attached for your further information and guidance are (a) the SEC approval letter and (b) the approved rules.

Kindly note the following provisions of the rules mandating that:

1. "Trading Participants ... have a minimum unimpaired paid-up capital, as defined by the Securities and Exchange Commission, of Twenty Million Pesos (P20,000,000) effective December 31, 2009; Provided further, That effective December 31, 2010 and onwards, the minimum unimpaired paid-up capital shall be Thirty Million Pesos (P30,000,000)." (*Rules Governing Trading Rights and Trading Participants*, Art. III, Sec. 8(c)); and
2. "[Each] Trading Participant ... pledge its trading right to the extent of its full value to secure the payment of all debts and claims due the clients of the Trading Participant, the government, the Exchange and to other Trading Participants of the Exchange and to the Securities Clearing Corporation of the Philippines." (*Id.*, Art. II, Sec. 7).

Finance / Admin / Membership	Market Regulation Division.	Listing & Disclosures Grp.	COO / Information Tech. Dept.	Business Dev't & Info. Group	CEO / Legal
Tel. No.688-7560/7440/7460	Tel. No. 688-7559	Tel. No. 688-7501/7510	Tel. No. 688-7405/819-4400	Tel. No. 688-7590	Tel. No. 688-7400/819-4408



MEMORANDUM

The Philippine Stock Exchange, Inc.

- | | |
|------------------------|-------------------------------|
| _____ Trading Rules | _____ Computer Systems Update |
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| _____ Listing Rules | _____ Others: _____ |

Accordingly, all Trading Participants are advised to:

1. Take the appropriate measures to comply with the minimum unimpaired paid-up capital of Php20,000,000 by 31 December 2009; and
2. Execute and submit to the Market Regulation Division ("MRD") the pledge agreement complying with the new requirement of the rules within thirty (30) days from the MRD's release of the revised form of the pledge agreement.

For information and compliance.

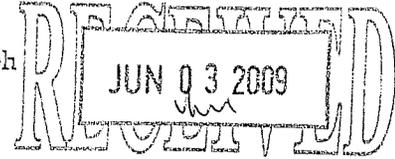

JOSEPH P. SAN PEDRO
 Vice President
 Market Regulation Division

Finance / Admin / Membership	Market Regulation Division.	Listing & Disclosures Grp.	COO / Information Tech. Dept.	Business Dev't & Info. Group	CEO / Legal
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Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, East Greenhills
Mandaluyong City, Metro Manila
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PSE - MRD



Market Regulation Department

June 3, 2009

PHILIPPINE STOCK EXCHANGE

PSE Center
Exchange Road, Ortigas Center
Pasig City
Fax: 637-8803

Attention: Atty. Francisco Ed. Lim, President

Gentlemen:

Please be informed that the Commission in its meeting on 28 May 2009 approved PSE's Rules Governing Trading Rights and Trading Participants, with minor modifications as follows:

1. Section 7 of Article II shall read:

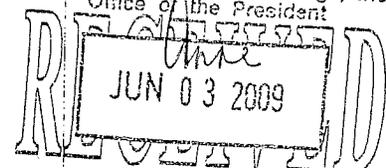
"SECTION 7. Pledge of Trading Right - Unless a Trading Participant has arranged a form of guarantee acceptable to the Exchange, the Trading Participant shall pledge its trading right to the extent of its full value to secure the payment of all debts and claims due to the clients of the Trading Participant, the government, Exchange and to other Trading Participants of the Exchange and to the Securities Clearing Corporation of the Philippines.

Such indebtedness to the Exchange, SCCIP and other Trading Participants, shall always, and in every case, be a prior, preferred lien upon the value, or the proceeds of sale of the trading rights."

2. Section 8 (c) of Article III shall read:

"SECTION 8 (c). Must have and keep minimum subscribed capital stock in such amount as may be required by law or regulations; Provided, That Trading Participants shall have a minimum unimpaired paid up capital, as defined by the Commission, of Twenty Million Pesos (P20,000,000.00) effective December 31, 2009; Provided further, That effective December 31, 2010 and onwards, the minimum unimpaired paid up capital shall be Thirty Million Pesos (P30,000,000.00)."

The Philippine Stock Exchange, Inc.
Office of the President



It is understood that this applies only to TPs who opted to defer compliance with the P100 million unimpaired capital requirement.

3. Section 9 (f) of Article III shall be deleted.

Please submit to us immediately four (4) copies of the approved Rules Governing Trading Rights and Trading Participants, with the SEC amendments, bearing the signatures of two PSE senior officers on each page of said rules. We shall retain two copies and the remaining will be returned to you. They shall likewise bear the signature of our representative. The copies bearing the signatures of PSE and SEC representatives shall be the official copies.

Thank you.

Very truly yours,



JOSE P. AQUINO
Director

RULES GOVERNING TRADING RIGHTS AND TRADING PARTICIPANTS

ARTICLE I DEFINITION OF TERMS

SECTION 1. In these Rules, the following words and expressions shall, unless the context provides otherwise, have the meanings ascribed to them hereunder:

“Exchange” or “PSE” - means The Philippine Stock Exchange, Inc.

“PSE Board” - means the Board of Directors of the Philippine Stock Exchange, Inc.

“PSE Trading Right” - means the right or privilege granted by the Exchange to an individual or corporation to operate as a broker/dealer of securities subject to the regulatory powers of the Exchange.

“Trading Right Owner” - means the corporation or individual that owns a trading right in the Exchange.

“Corporate Trading Right Owner” - means that the owner of the trading right is a corporation.

“Individual Trading Right Owner” - means that the owner of the trading right is an individual.

“Trading Right Certificate” - means the evidence or proof of ownership of a trading right by an individual or corporation.

“Trading Participants” - means trading right owners/holders who have been admitted and approved by the PSE Board of Directors to trade using the trading facilities provided by the Exchange. Provided, however, that the Securities and Exchange Commission has granted said trading right holders the license to conduct business as broker/dealer of securities.

“SCCP” - shall mean the Securities Clearing Corporation of the Philippines.

“PDTC” - shall mean the Philippine Depository & Trust Corporation.

“Rules” - shall mean these Rules Governing Trading Rights and Trading Participants.

ARTICLE II TRADING RIGHT OWNERSHIP

SECTION 1. Ownership of Trading Right – Pursuant to the demutualization of the Philippine Stock Exchange (“PSE” or the “Exchange”), the Exchange conferred each of the existing 184 members a trading right which is evidenced by a trading right certificate.

A trading right represents the right to operate as a broker/dealer of securities in the Exchange.

A trading right certificate shall not in any manner be construed as a shareholding in the Exchange.

SECTION 2. Classification of Trading Right Owners – There are two classifications of Trading Right Owners: corporate and individual.

SECTION 3. Acquisition of Trading Right - An individual or corporation may acquire a trading right in the following manner:

- a. Sale or transfer of trading right by its owner who is either an individual or corporation;
- b. Re-conveyance by a trustee of a trading right to its beneficial owner upon the termination of the covering trust agreement; and
- c. Any other mode of transfer or acquisition acceptable to the PSE Board of Directors (“PSE Board”).

SECTION 4. Rights of a Trading Right Owner – Each Trading Participant shall own and hold and be entitled to one trading right on the Exchange. A trading right owner shall neither have voting right at meetings of the PSE nor the right to participate in the assets of the Exchange.

Any modification to the rights of the Trading Participants, including the issuance of new trading rights, shall be made with the concurrence of the majority of Trading Participants.

SECTION 5. Benefits of a Trading Right Owner - The rights, benefits and obligations of a trading right owner shall be limited to those covered by these rules and other related rules subsequently promulgated by the PSE Board.

The continued enjoyment of the trading right and/or the use of the trading facilities of the Exchange shall always remain subject to the regulatory powers of the Exchange.

SECTION 6. Change in Status of Trading Right Owners – An Individual Trading Right Owner may change his status to Corporate Trading Right Owner through the transfer of his trading right to a corporation wherein he holds controlling interest subject to the approval of the PSE Board.

Such change as the above shall be charged a processing fee of not less than P10,000.00 or in the amount as may be prescribed by the PSE Board.

SECTION 7. Pledge of Trading Right – Unless a Trading Participant has arranged a form of guarantee acceptable to the Exchange, the Trading Participant shall pledge its trading right to the extent of its full value to secure the payment of all debts and claims due the clients of the Trading Participant, the government, the Exchange and to other Trading Participants of the Exchange and to the Securities Clearing Corporation of the Philippines.

Such indebtedness and claims due the clients of the Trading Participant, the government, the Exchange, SCCP, and other Trading Participants, shall always, and in every case, be a prior, preferred lien upon the value, or the proceeds of sale of the trading rights.

For purposes of this section, the following are considered acceptable forms of guarantee:

- a. Standby letter of credit issued by a bank acceptable to the Exchange; or
- b. Surety bond executed to the Exchange and issued by a bonding company acceptable to the Exchange, in an amount determined by the PSE Board from time to time; or
- c. Pledge executed over PSE shares of stock; or
- d. Pledge executed over index shares of stock; or
- e. Pledge executed over government securities.

SECTION 8. Maintenance of a Trading Right Registry – The Exchange shall keep a master registry of trading rights, indicating the owner, issued certificate and other information relating to the trading right.

ARTICLE III TRADING PARTICIPANTS

SECTION 1. Initial Trading Participants – The Initial Trading Participants of the Exchange are the individual and corporate members of the Philippine Stock Exchange (PSE) immediately prior to its demutualization on August 03, 2001.

There is only one class of Trading Participants on the Exchange which shall be no more than One Hundred Eighty-Four (184).

SECTION 2. Admission of Trading Participants – The power of admission of any applicant is vested with the PSE Board. The rights, benefits and obligations of a Trading Participant shall not be transferred, assigned, sold, acquired or exercised by any person or corporation without prior approval of the PSE Board.

An Individual Trading Right Owner applying to become a Trading Participant is required to organize a corporation to operate its trading right, subject to the specific provisions of the By-laws and rules and regulations promulgated by the Exchange.

Entities applying to become Trading Participants must be approved by an affirmative vote of at least eight (8) members of the PSE Board.

SECTION 3. Entrance Fees – An entity admitted as Trading Participant shall be assessed an entrance fee of not less than Php 200,000.00 or in an amount as may be prescribed by the PSE Board.

SECTION 4. Change in Controlling Interest of a Trading Participant – Any change in ownership of a Trading Participant constituting a transfer of at least 51% of the total outstanding shares of the corporation over a period of twelve months shall require approval of the PSE Board.

Such change as the above shall be charged a processing fee of not less than Php200,000.00 or in an amount as may be prescribed by the PSE Board.

Trading Participants shall submit to the Exchange their ownership structure not later than the last Friday of June and December of each year. Any change constituting 10% or more in ownership must be reported to the Exchange within three (3) days upon its effectivity.

SECTION 5. Acknowledgment of Trading Participants – Trading Participants may only enjoy the facilities of the Exchange and the privileges thereof after they have acknowledged in writing in a document prescribed by the Board from time to time that they accept and will abide by all the rules and regulations of the Exchange.

SECTION 6. Non-Intervention of Trading Participants – No Trading Participant shall intervene, directly or indirectly, in the management, operation, administration, and control of any other Trading Participant.

SECTION 7. Death of an Individual Trading Right Owner/Trading Participant – In the event of the death of an individual trading right owner/ Trading Participant, his trading right shall be sold by the PSE Board for the account of the deceased Trading Participant's estate, provided, however, that the trading right may, subject to the procedures prescribed in the Exchange's By-Laws and/or other related rules and regulations, be transferred to the qualified next of kin or member of the immediate family on the condition that where the transfer does not involve a payment for the trading right, the transferee shall hold the trading right subject to the rights of the creditors of his deceased predecessor.

SECTION 8. General Qualifications of Trading Participants – An entity applying to be a Trading Participant must have the following minimum qualifications:

- a. Must be a duly-registered domestic corporation authorized to transact business as a broker or dealer in securities;
- b. Must be composed of stockholders not exceeding such number as may be prescribed by law or regulations and who are all acceptable to the PSE Board; and
- c. Must have and keep a minimum subscribed capital stock in such amount as may be required by law or regulations; Provided, That Trading Participants shall have a minimum unimpaired paid-up capital, as defined by the Securities and Exchange Commission, of Twenty Million Pesos (P20,000,000) effective December 31, 2009; Provided further, That effective December 31, 2010 and onwards, the minimum unimpaired paid-up capital shall be Thirty Million Pesos (P30,000,000).

SECTION 9. Application Requirements for Trading Participants – An entity applying to be a Trading Participant shall submit to the Exchange the following:

- a. Application Letter expressing intention to become a Trading Participant;
- b. Certified-true copy of the Articles of Incorporation and By-Laws of the applicant-corporation;
- c. Company profile and latest financial statements audited by an SEC-accredited external auditor;
- d. Curriculum Vitae, latest Income Tax Return and Statement of Assets and Liabilities of all stockholders owning 5% or more of the outstanding shares of stock of the applicant-corporation and, for corporate shareholders of the applicant, latest Audited Financial Statement and General Information sheet;
- e. Sworn Corporate Secretary's Certificate attesting to the authority granted by the company's Board of Directors in favor of the responsible officer to perform any and all acts necessary and proper in its application to be a Trading Participant;
- f. Reference letters from at least three (3) reputable persons or institutions in the Philippines, one of which must be a commercial bank;
- g. Certified-true copy of license from the SEC to operate as broker and dealer of securities and a copy of the Certificate from the Securities Clearing Corporation of the Philippines; and
- h. Letter of Undertaking from the applicant corporation stating the following:
 - (i) Undertaking to engage solely in the stock and bond brokerage business and as a dealer in securities during the term of its license;

- (ii) Undertaking to commence trading operations within the period required by the Exchange;
- (iii) Certification that it has the required minimum unimpaired capital, exclusive of the value of the trading right, which should be in place prior to the operation of the trading right.

NOMINEE

SECTION 10. Appointment of a Nominee – Subject to the approval of the PSE Board, a Trading Participant shall nominate its representative to the Exchange otherwise known as a “Nominee”.

SECTION 11. General Qualifications of a Nominee – An applicant for nominee must be at least twenty-one (21) years of age, with legal residence in the Philippines and must have all the qualifications and none of the disqualifications as prescribed in these Rules.

SECTION 12. Approval of a Nominee - In securing approval of the PSE Board of Directors for a Nominee, the Trading Participant shall submit the following requirements:

- a. Sworn Corporate Secretary’s Certificate attesting to the authority granted by the company’s Board of Directors to appoint/ designate a nominee;
- b. Recommendation Letter from a Trading Participant in good standing in the Exchange;
- c. Reference letters from at least three (3) reputable persons or institutions in the Philippines, one of which must be a commercial bank;
- d. Curriculum Vitae with 2 copies each of the latest I.D. and passport-sized photos;
- e. Clearance from the Philippine National Police (PNP) and National Bureau of Investigation (NBI);
- f. Applicant’s latest Income Tax Return or other proof of income;
- g. Letter of Undertaking executed by the Trading Participant assuming responsibility for any and all actions of the applicant-nominee related to his functions as Nominee; and
- h. Interview with at least three (3) members of the PSE Board including the President.

The change of nominee shall undergo at least fifteen (15) calendar days of posting. For applicants who have been previously designated as Nominee, the posting period shall be for seven (7) days.

The incumbent nominee shall continue to act as such until the assumption to office by the new Nominee.

The Trading Participant shall pay the Exchange the amount of Fifty Thousand Pesos (Php50,000.00) or in an amount as may be prescribed by the PSE Board as entrance fee of the new Nominee.

SECTION 13. Foreigners Designated as Nominees – Foreigners designated as Nominees shall submit to the Exchange the following:

- a. Copy of Alien Employment Permit (AEP) or Alien Employment Registration Certificate (AERC) issued by the Department of Labor and Employment;
- b. Copy of the Alien Certificate of Registration (ACR);
- c. Letter of Endorsement on behalf of the applicant issued by the consulate of the country of which the nominee-applicant is a citizen; and
- d. Character reference letter issued by a bank based in the applicant's place of domicile.

SECTION 14. Rights and Obligations of a Nominee – All the rights and obligations of the Trading Participant pertaining to the operation and ownership of the trading right shall be exercised and performed by the Nominee, or the designated duly authorized representative of the Trading Participant.

Compliance by the Trading Participant with the Securities Regulation Code (SRC), its implementing rules and all applicable rules of the SEC and the Exchange shall be the ultimate responsibility of the Nominee.

SECTION 15. Need to Maintain a Nominee - Under no circumstance shall a Trading Participant be without a Nominee.

An active Trading Participant without an approved Nominee shall be assessed a monthly penalty of not less than ten thousand pesos (Php10,000.00) or in an amount as may be prescribed by the PSE Board, to commence after the lapse of 30 days from receipt of written notice by the Exchange that the Trading Participant had ceased to have a Nominee.

SECTION 16. Resignation of a Nominee - In case of resignation of the Nominee, the SEC-registered Associated Person shall be the Nominee in an acting capacity until a new nominee is designated and approved by the PSE Board. The appointment of a new nominee must be completed within 30 days from date of resignation of the Nominee.

If the resigned nominee intends to join another Trading Participant, he must submit a clearance issued by his former Trading Participant-employer in the form of Sworn Corporate Secretary's Certificate attesting to the authority granted by the company's Board of Directors to issue such clearance.

SECTION 17. Liability of the Trading Participant for Acts of the Nominee and Associated Person – The Trading Participant shall be liable for the acts and omissions of its Nominee and Associated Person.

SECTION 18. Credit Investigation – Applicants for Nominees shall be subjected to background investigation of his financial and business standing by a credit bureau accredited by the Exchange.

COMMON PROVISIONS

SECTION 19. Disqualifications - Any of the following shall be a ground for disqualification of a person or corporation acquiring a trading right and persons applying as Nominee of a Trading Participant:

- a. Conviction by final judgment of an offense involving moral turpitude; or
- b. Conviction by final judgment of an offense involving fraud; or
- c. Final decision by the Securities and Exchange Commission, PSE or other SROs or any court or other administrative body to have violated any provision of the Securities Regulation Code, the Corporation Code, or any other law, rule, regulation or order administered by the Securities and Exchange Commission or Bangko Sentral ng Pilipinas or PSE or other SROs; or
- d. Judicial declaration of insolvency; or
- e. Final conviction or decision by a foreign court or regulatory authority of violations analogous to any of the foregoing; or
- f. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his appointment or designation.

SECTION 20. Prohibitions – A Trading Right Owner, nominee, director, officer, employee or stockholder shall not in any way be connected in whatever capacity, directly or indirectly, with another Trading Participant.

However, where the relationship is with a publicly listed company, the appropriate disclosure shall be made.

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ARTICLE IV
TRADING RIGHT OPERATION

SECTION 1. Exercise of Trading Right – A trading right owner may only exercise its right to trade using the facilities of the Exchange upon approval by the PSE Board of its application to become a Trading Participant.

A Trading Participant is required to commence trading operations within one year from date of approval of its application or within such period as may be prescribed by the PSE Board.

SECTION 2. Non-Operation of Trading Right – The PSE Board shall determine and prescribe the fee to be imposed on non-operating trading rights.

SECTION 3. Voluntary Suspension of Trading Right Operation – A Trading Participant may go on voluntary suspension of trading operations subject to compliance with applicable PSE Rules.

SECTION 4. Involuntary Loss of Trading Right – When a Trading Participant shall cease for any cause to be a Trading Participant of the Exchange, except by death or by voluntary sale or transfer approved by the PSE Board the trading right on the Exchange previously held and owned by him shall become ipso facto vacant and shall be invested in the PSE Board which alone, shall be entitled to dispose thereof.

SECTION 5. Sale of Trading Right – A Trading Participant intending to sell its trading right must comply with the following guidelines and minimum requirements:

- a. The seller shall inform the Exchange in writing of its intention to sell its trading right;
- b. The seller shall furnish the Exchange a duly-notarized copy of the Memorandum of Agreement (MOA) covering the said sale to secure conditional approval of the PSE Board;
- c. The seller shall settle all its trading-related obligations, if any, and secure clearance from the Securities and Exchange Commission (SEC), Securities Clearing Corporation of the Philippines (SCCP), Philippine Depository & Trust Corporation (PDTC) and PSE;
- d. The seller shall publish the sale of its trading right in 3 major newspapers of general circulation in such form as may be prescribed by the Exchange;
- e. The seller shall execute a Letter of Unconditional Guarantee to cover for any and all third party claims against the sale of the trading right that may arise within 30 days after publication date;
- f. The sales proceeds shall be put in escrow in a bank specified by the parties and shall be released by the PSE-FIG to the seller upon approval by the PSE

of the sale or transfer of the trading right. The Exchange shall deduct from the sales proceeds all charges that may have been incurred relative to the escrow such as escrow fee, notarial fee, etc.

- g. The parties shall execute a Letter of Undertaking holding the Exchange free and harmless from any and all taxes, liabilities and other claims of third parties arising from the sale transaction;
- h. The seller shall submit to the Exchange a copy of the final sale documents for the immediate transfer of the trading right in the name of the Buyer including BIR clearance.

All claims that may arise during the 30-day period upon publication date may be filed with the PSE-MRD which shall assist in the processing of all validated claims prior to the release of the escrowed funds.

SECTION 6. The Exchange as the Sole Escrow Agent in Sale or Transfer of Trading Right – The Exchange shall be the sole Escrow agent in any sale or transfer of trading right. The parties shall authorize the Exchange to place the entire sales proceeds in an interest-bearing instrument with a bank acceptable to them. The Exchange shall be held free and harmless from any risk in relation to the investment of the escrowed funds.

The Exchange shall charge an Escrow Fee of not less than Php 50,000.00 or in an amount as may be prescribed by the PSE Board.

SECTION 7. Commencement of Trading Operations – A Trading Participant intending to commence operation or exercise its trading right on the Exchange must comply with the following requirements:

- a. Application letter stating intention to commence operation, date of operation, business address/general e-mail address, telephone/fax numbers and proposed business name;
- b. Proof of full compliance with the requirements of Sec. 7, Art. II;
- c. Application letter addressed to the PSE Market Operations and Surveillance Department (PSE-MOSD) for broker's code, trading cap and trading floor computer requirement, or off-site requirements;
- d. Certified-true copy of the Articles of Incorporation and By-Laws of the applicant-corporation;
- e. Curriculum vitae, latest Income Tax Return and latest Statement of Assets and Liabilities of all stockholders owning 5% or more of the outstanding shares of stock of the applicant-corporation and, for corporate shareholders of the applicant, latest Audited Financial Statement and General Information sheet;

- f. SEC Order and SEC Certificate registering the Trading Participant as broker and dealer of securities;
- g. Stock Broker Bond for Php5 million and Dealer Bond for Php 1 million or such other amount as may be prescribed by the SEC;
- h. Minutes of Organizational Meeting containing the following:
 - i. Election of directors and officers;
 - ii. Adoption of resolutions regarding officers/persons authorized to sign checks and endorse stock certificates;
- i. Duly-notarized Corporate Secretary's Certificate certifying that copies of aforesaid minutes are true and correct;
- j. List of key officers and employees. Must at least have one (1) Associated Person and one (1) Salesman, both of whom have SEC license, and must have sufficient backroom personnel;
- k. Sample forms to be used;
- l. Bank certificate attesting that the company has opened an account thereat;
- m. Copy of SEC license and Maktrade certificate of salesmen; and
- n. Copy of SEC license of associated persons.

SECTION 8. Cessation of Trading Operations – A Trading Participant intending to cease trading operations must comply with the following:

- a. File letter with the Exchange announcing the company's intention to cease trading operation at least 30 days prior to effectivity date;
- b. Duly-notarized letter of undertaking to inform or advise its clients of the firm's closure to ensure orderly processing of claims or transfer of accounts to the successor broker;
- c. Clearance from all appropriate PSE business units, SCCP and PDTC;
- d. Appointment of successor-broker to handle remaining clients' accounts. The Exchange must be furnished with an original or a certified true copy of the Memorandum of Agreement (MOA) between the closing broker and the successor broker;
- e. Publication of notice of closure with a minimum size of 1/8 of a page in three (3) newspapers of general circulation;

- f. List of separated personnel together with respective clearances; and
- g. Surrender all identification cards issued by the Exchange to trading floor personnel.

SECTION 9. Resumption of Trading Operations – A Trading Participant who is under voluntary suspension may resume trading operations anytime with prior notice to the Exchange and the SEC and subject to compliance with the following requirements:

- a. Letter advising the Exchange of its intention to resume trading operations at least 30 days prior to effectivity date;
- b. Business address, location, telephone, fax number and general e-mail address;
- c. SEC Order and SEC Certificate registering the corporation as broker-dealer of securities;
- d. Stockbroker bond of Php 5 Million and Dealer Bond of Php 1 Million or such amount as may be prescribed by the SEC;
- e. Clearance from all appropriate PSE business units;
- f. List of key officers and employees;
- g. Copy of SEC license and Maktrade certificate of salesmen;
- h. Copy of SEC license of associated persons.

SECTION 10. Operation of a Branch Office – A Trading Participant may be authorized to operate a branch office upon compliance with the following:

- a. Application letter to the Exchange indicating intention of the Trading Participant to open a branch office/s;
- b. Copy of SEC registration authorizing the operation of the branch office/s;
- c. Curriculum vitae of branch personnel with latest ID photo;
- d. Business address and location, telephone number, fax number and general e-mail address;
- e. Two (2) pictures of the branch office showing the façade and interior (if possible, with staff in the background);

- f. Duly-notarized written consent from the trading right owner or the Nominee assuming responsibility for any and all actions of its branch office, holding the Exchange free and harmless from any and all actions, claims and damages arising from the operations of the branch office; and
- g. Payment of application fee.

The application to operate a branch office, notwithstanding the submission of the foregoing, must be approved by the Market Regulation Division.

SECTION 11. Qualifications of Personnel Manning Trading Participant's Branch Office – Personnel of the branch office/s must possess the following qualifications:

- a. Manager/Head of the branch office must be duly- licensed by the SEC and qualified in terms of experience and training relative to the operation of a stock brokerage business; and
- b. All salesmen who will be granted access to the trading terminals must be duly-licensed by the SEC and must have passed the Maktrade Certification Exams given by the Exchange.

ARTICLE V BROKERS AND DEALERS

SECTION 1. Registration of Salesmen and Associated Persons of Trading Participants – A person shall not be employed as a salesman or associated person of a Trading Participant unless the required registration as a salesman or associated person is secured from the Securities and Exchange Commission.

Every person registered as Salesman or Associated Person shall file the appropriate registration renewal form with the SEC and renew his license as Salesman or Associated Person on an annual basis.

A salesman's registration shall cease to be effective upon termination of employment with the Trading Participant.

SECTION 2. Signing of Pledge of Commitment – All salesmen, traders and dealers and agents and associated persons are mandated to sign the Exchange's Pledge of Commitment and abide by the Code of Ethics for Salesmen and Traders.

SECTION 3. Submission of List of Directors and Officers, Employees, Agents, Dealers, Etc. – Trading Participants shall submit to the Exchange a complete list of directors, officers, agents, dealers, traders and salesmen, associated persons and all other employees, including their respective positions, addresses and contact numbers, not later than the first Friday of January and July of each year.

For newly approved Trading Participants, the list of employees, together with the Personnel Information Sheet, shall be submitted to the Exchange prior to commencement of their trading operations.

SECTION 4. Personnel Movement – Trading Participants shall notify the Exchange of any personnel movement, whether hiring, resignation or termination of employment, within 30 days upon effectivity thereof.

SECTION 5. Cooling-Off Period on Hiring Terminated Employees, Associated Persons, Salesmen, Traders, Agent, Dealer, Etc. – An employee, associated person, salesman, trader, agent or dealer whose employment has been terminated cannot be employed as regular, probationary or casual employee, or as apprentice, trainee, consultant, or in any other position, directly or indirectly, by another Trading Participant until after the lapse of six (6) months from the date of resignation or termination, unless a written clearance or conformity to join another Trading Participant is secured by the person concerned from the former employer, prior to the effectivity of the new employment.

This prohibition shall also apply to a resigned or terminated employee of the Exchange applying to join a Trading Participant as regular, probationary, or casual employee, or as apprentice, trainee, or consultant, or be employed in any manner or position, directly or indirectly by the Trading Participant.

SECTION 6. Publication of List of Newly Hired, Resigned or Terminated Employees - The list of newly hired, resigned or terminated employees of Trading Participants shall be circularized by the Exchange every first week of the month and shall be posted on the PSE website for seven calendar days.

SECTION 7. Penalty for Violation of the Policy on Hiring and Termination of Employees – Trading Participants shall abide by the Policy on Hiring and termination of Employees at all times. A corresponding penalty shall be imposed per act of violation by any Trading Participant:

First offense - Php 50,000.00
Subsequent offenses - Php 100,000.00

SECTION 8. Penalty for Failure to Notify the Exchange of Personnel Movement - The Exchange shall impose the following penalties on Trading Participants that fail to notify the Exchange of any personnel movement (for every employee not reported to the Exchange), whether hiring, resignation or termination from office, within thirty (30) days from the effectivity date:

First offense - Php 3,000.00
Second offense - Php 6,000.00
Subsequent offenses - Php 10,000.00

SECTION 9. Penalty for Failure to Return Exchange-Issued Identification Cards - It shall be the duty of the nominee to cause the return of Exchange-issued identification cards by resigning employees. Otherwise, the Trading Participant shall be subjected to the following penalties:

- First offense – Php 3,000.00
- Second offense – Php 6,000.00
- Subsequent offenses – Php10,000.00

SECTION 10. Brokers' Code – Each Trading Participant has an assigned Broker's Code that is deemed permanent in nature. The Exchange shall assign the next available code in numerical sequence to a Trading Participant that will commence trading operation for the first time.

SECTION 11. Dues – The dues for all Exchange Trading Participants shall be levied monthly based on an amount fixed by the Board. The following are the guidelines in the imposition and collection of dues from Trading Participants:

- a. Dues shall be collected equally among operating and non-operating Trading Participants. The monthly dues shall be one thousand pesos (Php 1,000.00) or such amount as may be prescribed by the Board, paid not later than the 15th day of the following month;
- b. In the event a Trading Participant fails to pay its monthly dues, a written notice shall be sent by the Exchange, either by messenger or registered mail, calling its attention thereto, and if not paid by the last day of the month, notice shall be posted on the bulletin board of the Exchange on the following day. If dues are not paid within fifteen (15) days thereafter, the Trading Participant shall be suspended until payment is made; and
- c. Should payment not be made within three (3) months after payment is due, the trading right of the delinquent Trading Participant shall be declared vacant and it may be disposed of by the PSE Board in accordance with the By-Laws of the Exchange.

Notwithstanding the suspension, transfer, death, and expulsion, or for any other reason, the Trading Participant shall continue to be liable for dues to the Exchange, until the trading right has been transferred in the records of the Exchange.

**ARTICLE VI
PENALTY CLAUSE**

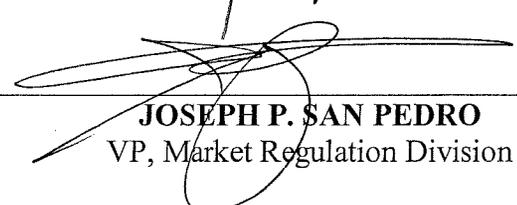
SECTION 1. Penalties – The Exchange shall impose the following penalties for violation of any provisions of this Rule:

- First offense - Stern written warning
- Second offense - Php 20,000.00
- Subsequent offense - Php 50,000.00

THE PHILIPPINE STOCK EXCHANGE, INC.



FRANCISCO ED. LIM
President & CEO



JOSEPH P. SAN PEDRO
VP, Market Regulation Division

SECURITIES AND EXCHANGE COMMISSION



JOSE P. AQUINO

Director
Market Regulation Department

