



MEMORANDUM

CN - No. 2021-0021

THE PHILIPPINE STOCK EXCHANGE, INC.

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| <input type="checkbox"/> Trading | <input type="checkbox"/> Public Advisory |
| <input type="checkbox"/> Disclosure | <input type="checkbox"/> Administrative/Technology Matters |
| <input checked="" type="checkbox"/> Listing | <input type="checkbox"/> Others: |

TO : ALL MARKET PARTICIPANTS

SUBJECT : AMENDED LISTING RULES

DATE : March 24, 2021

Please be advised that the Securities and Exchange Commission ("SEC") approved on February 4, 2021 the amendments to Article III, Parts D and E of the PSE Consolidated Listing and Disclosure Rules ("Rules"), and the addition of Article III, Part E-1 to the Rules. A copy of the Amended Listing Rules, as approved by the SEC, is attached as Annex "A".

The SEC also approved the grant of temporary relief to companies applying for initial listing in 2021 or 2022, whether in the Main or SME Board, in consideration of the business impact of COVID-19. The temporary relief shall be as follows:

- 1. Time-bound Relief:** For IPO applications that will be filed in 2021 and 2022, the Exchange, on a case-to-case basis, may consider the profitability of the applicant for any two fiscal years in the three most recent fiscal years, excluding the year of the impact. To illustrate, for an IPO application filed in 2021 by a company demonstrating the negative impact in its financial condition and results of operations for 2020 due to COVID-19, the two most recent fiscal years shall be 2018 and 2019. If the application is filed in 2022 and the year of the impact is 2020, the two most recent fiscal years shall be 2019 and 2021.
- 2. Minimum disclosure requirements:** The applicant should fully disclose in the prospectus (with cross reference to the audited financial statements) the adverse impact of the pandemic on its operations, expected duration of the business effects of the pandemic, recovery measures, and business prospects of the applicant in the next five (5) years, among others.

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- 3. Due consideration for COVID-19 impact in PSE evaluation:** PSE shall determine the suitability of the applicant to be listed with due consideration to the adverse effect of the pandemic and the applicant's recovery measures. In this regard, the latest interim financial statements of the applicant, when available, will be considered in the evaluation of the applicant's prospects of recovery from the pandemic.

The Amended Listing Rules and the temporary relief in response to COVID-19 shall take effect immediately.

For your information and guidance.

(Original Signed)
Ramon S. Monzon
President and CEO

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**ARTICLE III
EQUITY SECURITIES**

Annex "A"

**PART D
MAIN BOARD LISTING**

SECTION 1. General Criteria for Admission to Listing – A company applying for listing in the Main Board ("Applicant Company") must comply with the following requirements:

- (a) **Track Record of Profitable Operations** – The Applicant Company must have a cumulative net income, excluding non-recurring items, of at least Seventy Five Million Pesos (₱75,000,000.00) for three (3) full fiscal years immediately preceding the application for listing and a minimum net income of Fifty Million Pesos (₱50,000,000.00) for the most recent fiscal year. The applicant must further be engaged in materially the same businesses and must have a proven track record of management throughout the last three (3) years prior to the filing of the application.

For this purpose, the Applicant Company shall submit to the Exchange audited consolidated Financial Statements for the last three (3) full fiscal years preceding the filing of the application. The Financial Statements must be accompanied by an unqualified external auditor's opinion.

- (b) **Exception to the 3-year Track Record Requirement** – The following are the exceptions to the three (3) year track record rule:
 - (i) The Applicant Company has been operating for at least ten (10) years prior to the filing of the application and has a cumulative net income of at least Seventy Five Million Pesos (₱75,000,000.00) for at least two (2) of the three (3) fiscal years immediately preceding the filing of the listing application.
 - (ii) The Applicant Company is a newly formed holding company which uses the operational track record of its subsidiary. This exception, however, shall be subject to the restriction in Section 3(a) hereof.
- (c) **Stockholders' Equity** – The Applicant Company must have a stockholders' equity of at least Five Hundred Million Pesos

(₱500,000,000.00) in the fiscal year immediately preceding the filing of the listing application.

- (d) Operating History – The Applicant Company must have an operating history of at least three (3) years prior to its application for listing.
- (e) Minimum Offering to the Public – The minimum offering to the public for initial listing shall be based on the following schedule:

MARKET CAPITALIZATION**PUBLIC OFFER**

Not exceeding ₱500 M	33% or ₱50M whichever is higher
Over ₱500M to ₱1B	25% or ₱100M whichever is higher
Over ₱1B	20% or ₱250M whichever is higher

- (f) Minimum Number of Stockholders – Upon listing, the Applicant Company shall have at least one thousand (1,000) stockholders, each owning stocks equivalent to at least one (1) board lot.

*Note: The requirement to have at least one thousand (1,000) security holders each owning securities equivalent to at least one (1) board lot is only required upon listing. Once listed, companies shall, at all times, maintain a minimum percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the Exchange. The Exchange may impose a higher percentage effective upon receipt by the Commission of a written notice of such increase. The Exchange may decrease the percentage or suspend or remove the same only with prior approval from the Commission. (**Supplemental Rule 6** – PSE Memorandum No. 2010-0505 dated 28 October 2010 re: Rule on Minimum Public Ownership; **Supplemental Rule 6.1** - PSE Memorandum CN No. 2012-0003 dated 3 January 2012 re: Amended Rule on Minimum Public Ownership)*

- (g) Valuation of Assets – When required by the Exchange, the Applicant Company shall engage the services of an independent appraiser duly accredited by the Exchange and the Commission in determining the value of its assets.
- (h) Full Payment of Issued and Outstanding Shares – The Applicant Company shall cause all its subscribed shares of the same type and class applied for listing to be paid in full.
- (i) Investor Relations Program – The Applicant Company shall have an investor relations program to ensure that information affecting the company are communicated effectively to investors. Such program

shall include, at the minimum, a corporate website that contains, at the minimum, the following information:

- i. Company information – organizational structure, board of directors, and management team;
 - ii. Company news – analyst briefing report, latest news, press releases, newsletter (if any);
 - iii. Financial report – annual and quarterly reports, at least for the past 2 years;
 - iv. Disclosures – recent disclosures to the Exchange and the Commission for the past 2 years;
 - v. Investor FAQs – commonly asked questions of stockholders;
 - vi. Investor Contact – email address for feedback/comments, shareholder assistance and service; and
 - vii. Stock Information – key figures, dividends, and stock information.
- (j) An Applicant Company that is exempt from the track record and operating history requirements of this Rule must state in its Registration Statement the reason for such exemption.

SECTION 2. Lock-Up –

- (a) An Applicant Company shall cause its existing stockholders who own an equivalent of at least 10% of the issued and outstanding shares of stock of the company to refrain from selling, assigning or in any manner disposing of their shares for a period of:
- i. One hundred eighty (180) days after the listing of said shares if the Applicant Company meets the track record requirements in Section 1 hereof; or
 - ii. Three hundred sixty-five (365) days after the listing of said shares if the Applicant Company is exempt from the track record and operating history requirements of the Rules.

If there is any issuance or transfer of shares (i.e., private placement, asset for shares swap or a similar transaction) or of instruments

which leads to an issuance or transfer of 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, or, prior to the listing date in the case of Applicant Companies listing by way of introduction, and the transaction price is lower than that of the offer price in the Initial Public Offering or than that of the listing price in the case of Applicant Companies listing by way of introduction, 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 aforesaid shares.

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

- (b) The foregoing lock-up requirement shall be implemented in the manner provided in Section 17, Part A, Article III of the Revised Listing Rules, or any amendment thereto.
- (c) 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 observed 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 3. Restrictions –

- (a) No divestment of shares in operating subsidiary – A newly formed holding company which invokes the operational track record of its subsidiary to qualify for the track record requirement under Section 1(a) hereof, is prohibited from divesting its shareholdings in the said subsidiary for a period of three (3) years from the listing of its shares. The prohibition shall not apply if a divestment plan is approved by the majority of the Applicant Company's stockholders.
- (b) No secondary offering for companies that are exempt from the track record and operating history requirements – Companies that are exempt from the track record and operating history requirements, such as mining, petroleum and renewable energy companies and newly formed holding companies referred to in Section 1(b)(ii), are prohibited from offering secondary shares during the Initial Public Offering. For purposes of this rule, secondary shares shall mean shares originally held by the existing shareholders prior to IPO.

Note: A newly-listed company shall likewise be prohibited from offering additional shares, except offerings for stock dividend and employee stock option plan ("ESOP") within one hundred eighty (180) calendar days from date of original listing.

SECTION 4. Full Disclosure Policy – The Applicant Company shall submit the following disclosures to the Exchange within the periods specified below to ensure transparency in the use of proceeds raised from the IPO:

- (a) Quarterly Progress Report on the application of the proceeds from the IPO on or before the first fifteen (15) days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- (b) Annual summary on the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- (c) Approval by the Applicant Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Applicant Company at least thirty (30) days prior to the said actual disbursement or implementation.
- (d) A comprehensive report on the progress of its Business Plan on or before the first fifteen (15) days of the following quarter.

The quarterly and annual reports required in items (a) and (b) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program or IPO Prospectus, if any. The detailed explanation must state the approval of the Applicant Company's Board of Directors as required in item (c) above.

The Exchange may require disclosure of additional information as it considers appropriate and material in any particular case.

If during the application, the Applicant Company fails to make a timely and accurate disclosure of material information or deliberately misrepresents material facts to the Exchange, the Exchange may consider the said actions as evidence of the Applicant

Company's refusal to comply with the full disclosure policy of the Exchange and on that basis, reject the application.

SECTION 5. Delisting - A listed company that incurs negative stockholders' equity for three (3) consecutive years shall be subject to delisting, in accordance with the rules of the Exchange. The delisting of the listed company's shares shall take effect thirty (30) days from approval by the Exchange's Board of Directors of the said delisting. The Exchange shall send notice of such delisting immediately to the listed company and the Commission. The Exchange shall likewise publish an announcement relative thereto in the Exchange's website.

ARTICLE III EQUITY SECURITIES

PART E SMALL, MEDIUM AND EMERGING (SME) BOARD LISTING

SECTION 1. General Criteria for Admission to Listing – A company applying for listing in the SME Board (“Applicant Company”) must comply with the following requirements:

- (a) Track Record of Profitable Operations – Applicant Company must satisfy one of the following requirements:
 - (i) Cumulative earnings before interests, taxes, depreciation, and amortization (EBITDA), excluding non-recurring items, of at least Fifteen Million Pesos (₱15,000,000.00) for the three (3) fiscal years immediately preceding the application for listing or such shorter period as the company has been operating. The applicant must further be engaged in materially the same business and must have a proven track record of management throughout the last three (3) years prior to the filing of the application or such shorter period as the company has been operating; or
 - (ii) Cumulative operating revenues or sales of at least One Hundred Fifty Million Pesos (₱150,000,000.00) for the three (3) fiscal years immediately preceding the filing of the listing application or such shorter period as the company has been operating, with an average net sales/operating revenues growth rate of at least twenty percent (20%) over the two (2) fiscal years immediately preceding the filing of the listing application.

For this purpose, the Applicant Company shall submit to the Exchange audited consolidated Financial Statements for the last three (3) full fiscal years preceding the filing of the application or such shorter period as the company has been operating. The Financial Statements must be accompanied by an unqualified external auditor’s opinion.

- (b) Stockholders’ Equity – Applicant Company must have a stockholders’ equity of at least Twenty Five Million Pesos (₱25,000,000.00) in the fiscal year immediately preceding the filing of the listing application.
- (c) Operating History – Applicant Company must have an operating history of at least two (2) years prior to its application for listing.

- (d) Full Payment of Issued and Outstanding Shares – The Applicant Company shall cause all its subscribed shares of the same type and class applied for listing to be paid in full.
- (e) Business Plan – The Applicant Company shall demonstrate its stable financial condition and prospects for continuing growth. For purposes of determining prospects for continuing growth, the Applicant Company shall submit a business plan indicating the steps that have been taken and to be undertaken in order to advance its business over a period of five (5) years.

As a general rule, financial projections are not required, but should there be references made in the business plan to future profits or losses, or any other item that would be construed to indicate forecasts, then the Applicant Company is required to include financial projections in the business plan duly reviewed by an independent accounting firm.

- (f) Valuation of Assets – When required by the Exchange, the Applicant Company shall engage the services of an independent appraiser duly accredited by the Exchange and the Commission in determining the value of its assets.
- (g) Minimum Offering to the Public – The minimum offering to the public shall be based on the schedule set forth in Article III, Part D, Section 1(e) of these Rules.
- (h) Minimum Number of Stockholders – Upon listing, the Applicant Company shall have at least two hundred (200) stockholders. Each of these stockholders must hold at least one (1) board lot of the securities of the company.

Note: The requirement to have at least two hundred (200) security holders each owning securities equivalent to at least one (1) board lot is only required upon listing. Once listed, companies shall, at all times, maintain a minimum percentage of listed securities held by the public of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the Exchange. (see Supplemental Rule 6 and 6.1)

- (i) Investor Relations Program – The Applicant Company shall have an investor relations program to ensure that information affecting the company are communicated effectively to investors. Such program shall include, at the minimum, a corporate website that contains, at the minimum, the following information:

- i. Company information – organizational structure, board of directors, and management team
 - ii. Company news – analyst briefing report, latest news, press releases, newsletter (if any)
 - iii. Financial report – annual and quarterly reports, at least for the past 2 years
 - iv. Disclosures – recent disclosures to the Exchange and the Commission for the past 2 years
 - v. Investor FAQs – commonly asked questions of stockholders
 - vi. Investor Contact – email address for feedback/comments, shareholder assistance and service
 - vii. Stock Information – key figures, dividends, and stock information
- (j) An Applicant Company that is exempt from the track record and operating history requirements of this Rule must state in its Registration Statement the reason for such exemption.

SECTION 2. An Applicant Company that does not meet the required track record of profitable operations and/or stockholders' equity may apply for listing with the favorable endorsement of a listing sponsor accredited by the Exchange. The roles and responsibilities of sponsors, requirements for accreditation, and disciplinary actions that may be taken against sponsors are set out in article III, Part E-1 of the Consolidated Listing and Disclosure Rules.

SECTION 3. Lock-Up –

- (a) The Applicant Company shall cause its existing non-public stockholders and their related parties to refrain from selling, assigning, encumbering or in any manner disposing of their shares for a period of one (1) year after the listing of such shares. All other stockholders shall not be subject to mandatory lock-up under this provision.

For purposes of this section, “non-public stockholders” shall mean the Applicant Company’s: (i) principal stockholders (*i.e.*, the owner of ten percent (10%) or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and (v) any

other person who has substantial influence on how the Applicant Company is being managed.

The term “related parties” shall mean the non-public stockholder’s: (i) principal stockholders (*i.e.*, the owner of ten percent (10%) or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and (v) members of the immediate families sharing the same household of any of its principal stockholders, directors, or principal officers.

If there is any issuance or transfer of shares (*i.e.*, private placement, asset for shares swap or a similar transaction) or of instruments which leads to an issuance of shares (*i.e.*, convertible bonds, warrants or a similar instrument) done and fully paid for within six (6) months prior to the start of the Offering Period, or, prior to the listing date in case of Applicant Companies listing by way of introduction, and the transaction price is lower than that of the offer price in the Initial Public Offering, or than that of the listing price in the case of Applicant Companies listing by way of introduction, all shares subscribed or acquired shall be subject to a lock-up period of at least one (1) year from listing of the aforesaid shares.

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

- (b) The foregoing lock-up requirement shall be implemented in the manner provided in Section 17, Part A, Article III of the Revised Listing Rules.

SECTION 4. Restrictions – Companies applying for listing in the SME Board are subject to the following restrictions:

- (a) No listing of portfolio and passive income companies – The Exchange shall not allow the listing of a portfolio or passive income company. For purposes of this Rule, a portfolio or passive income company shall mean a company that confines its activities to owning stocks in other companies without voting control and whose source of income are mainly dividends, equitized earnings, and interest earnings from such passive investments. A holding company that has an operating subsidiary is not covered by this restriction.
- (b) Prohibition on Backdoor Listing - A company listed in the SME Board is prohibited from doing a backdoor listing. The Exchange may delist a company which undertakes a backdoor listing in contravention of this rule.

- (c) No Offering of Secondary Securities for Companies Exempt from the Track Record and Operating History Requirements – Companies that are exempt from the track record and operating history requirements, such as mining, petroleum and renewable energy companies, are prohibited from offering secondary securities during the Initial Public Offering. For purposes of this rule, secondary securities shall mean securities originally held by the existing shareholders prior to IPO.

SECTION 5. Transfer to the Main Board – A listed company initially listed on the SME Board may, upon written request to the Exchange and payment of the applicable processing fee, be elevated for listing in the Main Board upon showing that it has met the requirements for listing in the Main Board.

SECTION 6. Full Disclosure Policy –

- (a) The Applicant Company shall promptly submit a comprehensive corporate disclosure to the Exchange in the following instances:
 - (i) Sale of the company's assets other than in the ordinary course of business.

The comprehensive corporate disclosure shall contain, among others, the names of the parties to the transaction, the purpose for which it was entered into, and the potential effect on the operations of the company;
 - (ii) Imposition of fines and/or other penalties on the Applicant Company or its subsidiaries by regulatory authorities and the reasons therefor;
- (b) The Applicant Company shall submit the following disclosures to the Exchange within the periods specified below to ensure transparency in the use of proceeds raised from the IPO:
 - (i) Quarterly Progress Report on the application of the proceeds from the IPO on or before the first fifteen (15) days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
 - (ii) Annual summary on the application of the proceeds on or before January 31 of the following year. The Annual Summary Report

should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;

- (iii) Approval by the Applicant Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Applicant Company at least thirty (30) days prior to the said actual disbursement or implementation.
- (iv) A comprehensive report on the progress of its Business Plan on or before the first fifteen (15) days of the following quarter.

The quarterly and annual reports required in items (i) and (ii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program or IPO Prospectus, if any. The detailed explanation must state the approval of the Applicant Company's Board of Directors as required in item (iii) above.

The Exchange may require disclosure of additional information as it considers appropriate and material in any particular case.

If during the application, the Applicant Company fails to make a timely and accurate disclosure of material information or deliberately misrepresents material facts to the Exchange, the Exchange may consider said actions as evidence of the Applicant Company's refusal to comply with the full disclosure policy of the Exchange and on that basis, reject the application.

SECTION 7. Delisting – A company that incurs negative stockholders' equity for three (3) consecutive years shall be subject to delisting, in accordance with the rules of the Exchange. The delisting of the company's securities shall take effect thirty (30) days from approval by the Exchange's Board of Directors of the said delisting. The Exchange shall send notice of such delisting immediately to the listed company and the Commission. The Exchange shall likewise publish an announcement relative thereto on the Exchange website.

SECTION 8. Applicability of Other Provisions – The Applicant Company must comply with the published rules and requirements which the Exchange may deem applicable.

ARTICLE III EQUITY SECURITIES

PART E-1 SMALL, MEDIUM AND EMERGING (SME) BOARD LISTING UNDER SPONSOR MODEL

SECTION 1. Scope – This rule sets out the requirements for listing on the SME Board of Applicant Companies under a sponsor-driven framework.

SECTION 2. Objective - This rule is designed to give high growth and start-up companies that do not have the required track record of profitable operations and/or stockholders' equity access to capital market, without compromising public confidence in the market.

Sponsors are expected to play an important role in maintaining the standard and quality of companies listed in the SME Board under the sponsor model and upholding the integrity of the market.

SECTION 3. Filing of Listing Application – The listing application shall be filed by an Exchange-accredited sponsor on behalf of the listing applicant.

The offer documents and circulars, notice of filing of listing application, and marketing collaterals about the offer, must contain the following statement in bold type on a prominent portion of the document:

“THE COMPANY SEEKS LISTING IN THE SMALL, MEDIUM AND EMERGING (SME) BOARD OF THE PSE UNDER A SPONSOR-DRIVEN FRAMEWORK. SPONSORED LISTINGS IN THE SME BOARD ARE FOR COMPANIES WHICH DO NOT COMPLY WITH THE PROFITABILITY AND/OR STOCKHOLDERS’ EQUITY REQUIREMENTS AND TO WHICH A HIGHER INVESTMENT RISK MAY ATTACH. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH COMPANIES AND ARE ADVISED TO EXERCISE DUE DILIGENCE AND CAREFULLY READ THE OFFER MATERIALS BEFORE MAKING ANY INVESTMENT DECISION.”

SECTION 4. Criteria for Listing – To qualify for listing under this rule, an Applicant Company should be favorably endorsed, without qualification, by a sponsor accredited by the Exchange.

Except for the track record and stockholders' equity requirements in Article III, Part E of the Consolidated Listing and Disclosure Rules of the Exchange, all listing requirements

applicable to initial listings, particularly, those provided in Article I and Article III (except Parts D and G) of the Consolidated Listing and Disclosure Rules, shall apply to listing applications filed under this rule.

SECTION 5. Assessment of Applicant's Suitability for Listing – The listing sponsor shall assess the suitability of the applicant for listing and review the veracity and completeness of the information disclosed in the offer documents.

For this purpose, the listing sponsor shall conduct the appropriate due diligence and consider the following matters, among others:

- 1) Financial condition and viability of the business of the listing applicant;
- 2) Prospects of listing applicant's business and the industry it operates in, including recent major developments;
- 3) Applicant's capital structure, ownership structure, and operating history, sites of operation, historical financial information and other corporate information;
- 4) Listing applicant's corporate governance record, including issues that might affect its integrity or might cause its listing to undermine public interest;
- 5) Suitability and past corporate conduct of the applicant's board of directors and key management officers;
- 6) Directors' understanding of, and intention to comply with, the applicant company's obligations upon and after listing;
- 7) Sufficiency of the applicant's systems, procedures, controls and resources to ensure compliance with the Exchange's rules;
- 8) Adequacy of internal control and risk management systems; and
- 9) Nature and extent of conflicts of interest or potential conflicts of interest involving the listing applicant, if any.

Listing sponsor shall ensure that any material issues found during its due diligence are addressed or resolved or otherwise do not affect the applicant's suitability for listing.

SECTION 6. Sponsor's Certification and Undertaking – A listing application filed under these rules shall not be accepted unless accompanied by a duly notarized sponsor assessment report which fully discloses material information gathered from the due diligence review conducted by the sponsor on the applicant. The report shall include, at

the minimum, a discussion and assessment of the applicant's business plan, future prospects, financial performance, risks to the applicant's business and future prospects, and other necessary information that supports the sponsor's favorable recommendation of applicant's listing in the SME Board.

The sponsor shall also submit, together with the listing application, a sponsor's sworn certification, declaration, and undertaking that:

- 1) it has exercised due diligence on the applicant company and is satisfied that the company is suitable for listing on the Exchange and its listing will not undermine public confidence in the market;
- 2) it is satisfied as to the viability of applicant's business plans and future prospects;
- 3) it has reviewed the applicant's offer and listing documents, including any amendments and supplements, and all material representations therein are true and correct and no material information necessary to make the statements contained therein not misleading was omitted;
- 4) all information contained in the sponsor assessment report are true and correct and no material information necessary to make the statements contained therein not misleading was omitted;
- 5) the sponsor accepts responsibility, together with the applicant, for any false, inaccurate or misleading information with respect to any material fact contained in the listing application, offer documents, sponsor assessment report and all documents submitted to the Exchange, except in cases where the sponsor proves that it acted in good faith and had no knowledge of, and could not have known, even with the exercise of reasonable due diligence, the falsity, inaccuracy or misleading nature of such information. a similar statement shall be incorporated in the prospectus;
- 6) other than the track record and/or stockholders' equity requirement, the applicant is compliant with all applicable requirements of the Exchange for admission for listing in the SME Board;
- 7) the applicant's securities are freely tradable and not subject to any adverse claim;
- 8) it has given sufficient advice and guidance to the directors and officers of the applicant and, as necessary, other professional advisers, in relation to the applicant's responsibilities and obligations under the Exchange's Consolidated Listing and Disclosure Rules to ensure due compliance by the applicant on an ongoing basis;

- 9) it agrees to comply with and be bound by all the applicable rules, requirements, and policies of the Exchange relating to the responsibilities of the sponsor prior to, during, and after listing of the applicant; and
- 10) submit an updated sponsor assessment report on or before the 31st day of January of each year during the term of the sponsorship, and as necessary, if there are material developments affecting the listed company or its security.

If the sponsor resigns, or the sponsor appointment is terminated for any reason during the processing of a listing application, the sponsored company must appoint a replacement sponsor which shall resubmit, on behalf of the sponsored corporation, a listing application and the sponsor assessment report, declarations and undertakings required by this section.

SECTION 7. Exchange's Action on the Application – The Exchange retains full discretion to approve or reject listing applications filed pursuant to this rule. In reaching its decision, the Exchange shall give particular regard to the general principles outlined in Article I, Part A, Section 3 of the Consolidated Listing and Disclosure Rules of the Exchange.

SECTION 8. Requirements for Sponsor Accreditation - To be eligible for accreditation as a listing sponsor, an applicant must comply with the following criteria:

- 1) Must be a corporation or partnership registered with the Securities and Exchange Commission;
- 2) Has at least five (5) years experience in a leading role (*e.g.*, issue manager, underwriter, *etc.*) with initial public offerings or significant corporate finance transactions (*e.g.*, rights offer, mergers and acquisitions), or three (3) years experience, if at least two (2) of its key personnel have at least five (5) years experience in a leading role with initial public offerings or significant corporate finance transactions. In this regard, the Exchange will take into account the experience of the qualified personnel on an individual basis;
- 3) Is not in breach of any relevant rule or law in any jurisdiction where it operates, including being the subject of any disciplinary proceedings, or any investigation which might lead to disciplinary action by any regulatory authority. The Exchange may reject an applicant if complaints, warning letters, fines, private or public censures or reprimands from any regulatory authority, or other disciplinary action by any regulatory authority against the applicant sponsor has occurred in the two (2) years immediately preceding the filing of the application;

- 4) Covered by a professional indemnity insurance in an amount equivalent to the value of the public offering that will answer for damages resulting to investors due to the sponsor's misconduct or negligence in performing its sponsor responsibilities;
- 5) Directors and key officers must be fit and proper. In determining whether an individual is fit and proper to hold the position, regard shall be given to his integrity, experience, education, training and competence.

The following persons shall in no case be allowed to serve or act as director or officer of the sponsor:

- (a) Any person convicted of any crime involving any security or financial product;
- (b) Any person convicted of an offense involving fraud or embezzlement, theft, estafa, or other fraudulent acts or transactions;
- (c) Any person who, by reason of any misconduct, is enjoined by order, judgment, or decree by any court, quasi-judicial body or administrative agency of competent jurisdiction from acting as a director, officer, employee, consultant, or agent occupying any fiduciary position;
- (d) Any person found by the appropriate regulatory agency to have violated, or aided, abetted, counseled, commanded, induced, or procured the violation of the Revised Corporation Code, Securities Regulation Code, General Banking Law, Insurance Code, Anti-Money Laundering Act, or any related laws and any rules, regulations or orders;
- (e) Any person judicially declared to be insolvent, or incapacitated to contract; and
- (f) Any person found guilty by a foreign court, regulatory authority or government agency of the acts or violations similar to any of the acts or misconduct enumerated in Items (a) to (e).

A conviction in the first instance shall be considered sufficient ground for disqualification.

A sponsor must ensure continuing compliance with the above eligibility criteria and such other conditions as may be imposed by the Exchange. It shall notify the Exchange immediately if it ceases to fulfill any of the eligibility criteria or conditions imposed by the Exchange, or has reason to believe that it will cease to do so.

SECTION 9. Validity of Sponsor Accreditation – The Exchange’s accreditation of sponsor shall take effect upon payment of the applicable fee and shall be valid for a period of three (3) years from date of accreditation.

SECTION 10. Assessment of Sponsor’s Independence – The sponsor must demonstrate to the Exchange its independence from the sponsored company. A sponsor is not independent if any of the following circumstances exists:

- 1) The sponsor directly owns twenty percent (20%) or more of the total number of outstanding shares of the sponsored company at the time of the filing of the listing application, or five percent (5%) or more of the sponsored company’s outstanding shares after its listing on the Exchange. With proper safeguards, an investment company or asset management company licensed by the Securities and Exchange Commission or a trust company registered with the Bangko Sentral ng Pilipinas and operated by or affiliated with the sponsor may own shares of the sponsored company in excess of the ownership limits set in this paragraph. The shareholdings of such investment company or asset management company shall not be included in the computation of sponsor’s ownership in the sponsored company; or
- 2) Any of the sponsor’s directors, officers, or relatives of the foregoing within the second degree of consanguinity or affinity is a director or officer of the applicant or listed company for whom it acts as a sponsor.

The sponsor shall maintain its independence from the sponsored company for as long as it remains its sponsor. If the 5% ownership limit in paragraph (1) of this section is breached at any time after listing, the sponsor must immediately inform the Exchange and sell down to less than 5% within twelve (12) months from such breach.

In case of doubt as to its independence, a sponsor may consult the Exchange ahead of entering into any arrangement or transaction.

SECTION 11. Conflict of Interest – A sponsor must take all reasonable steps to ascertain whether a conflict of interest exists or is likely to exist in relation to its role as a sponsor. It shall refrain from entering into any transaction that may lead to a potential conflict of interest. In particular, a sponsor must not act for any other party to a transaction other than the company for whom it acts as sponsor. For the avoidance of doubt, a sponsor may provide both sponsorship and underwriting or other financial advisory services to a listing applicant. A sponsor may also act as sponsor to more than one company, provided such arrangement does not create a conflict of interest.

If the sponsor becomes aware of an actual or potential conflict of interest, it must fully disclose to the sponsored company's board of directors and to the Exchange the nature and extent of the conflict of interest and the steps taken to address such conflict.

Where a conflict of interest cannot be resolved satisfactorily, a sponsor must not act for an applicant or listed company. In case of doubt, a sponsor may consult the Exchange prior to entering into any arrangement or transaction.

SECTION 12. Internal Controls within the Sponsor's Organization - A sponsor must have internal controls, procedures and other safeguards to avoid conflicts of interest, including, but not limited to the:

- 1) segregation of functions between the business unit undertaking sponsor activities and other units within the sponsor's organization;
- 2) separate reporting lines for the unit undertaking sponsor activities and units with other relevant business activities;
- 3) restriction of communication and information flow between the unit performing sponsor activities and other units to avoid leakage of material non-public information, including procedures to ensure that a sponsor's directors, officers, and employees do not divulge, and prevent the leakage of, any material non-public information to any person who does not need to know such information;
- 4) restriction of access to documents relating to sponsor activities to authorized officers and employees; and
- 5) implementation of policies, procedures and controls to prevent the use of material non-public information about the sponsored company by the sponsor's directors, officers and employees to trade for their own benefit or the benefit of their related parties. For this purpose, the sponsor shall maintain a list of restricted securities and monitor the trading activities of its directors, officers and employees who are privy to material non-public information regarding restricted securities.

The sponsor shall notify the Exchange in writing at least fourteen (14) days before undertaking a new business function which may create a conflict of interest with its sponsor activities. The sponsor must supply the Exchange with information regarding the new business function and the procedures in place to avoid any conflict of interest with its sponsor activities.

SECTION 13. Continuing Sponsorship - A sponsor who endorses a sponsored company for listing must continue to provide business and compliance advisory services to the sponsored company for at least three (3) full fiscal years from listing. The sponsor cannot

resign, and the sponsored company cannot terminate the sponsor's appointment, unless effected in accordance with Sections 14 and 15 below.

Business and compliance advisory services shall include, but are not limited to, the following:

- 1) Advising the sponsored company on the Exchange's rules, and all relevant legislation and regulations that may be relevant to the sponsored company and ensuring its compliance with said rules on an ongoing basis;
- 2) Advising the applicant on the appointment of suitable advisors to meet its audit, legal and other obligations, including the engagement of an external auditor that is an SEC Class A - accredited audit firm;
- 3) Reviewing all documents to be released by the sponsored company to shareholders or to the market (including announcements, resolutions contained in notices of meetings, circulars and corporate actions) before release, to ensure that the sponsored company is in compliance with the Exchange's rules and makes proper disclosure. The document must display prominently the following on the front cover:

"THIS DOCUMENT HAS BEEN REVIEWED BY THE COMPANY'S SPONSOR, _____ . IT HAS NOT BEEN REVIEWED OR APPROVED BY THE EXCHANGE AND THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT.

THE CONTACT PERSON FOR THE SPONSOR IS _____, WHO MAY BE REACHED AT _____.

- 4) Reviewing reasons provided by sponsored company for any unusual fluctuations in the price and volume of the listed securities;
- 5) Advising the sponsored company on the suitability of proposed new directors, if there are proposed changes in the sponsored company's board of directors;
- 6) Advising the sponsored company if the trading of the sponsored company's securities should be halted or suspended; and
- 7) Advising the sponsored company on various corporate governance matters, as necessary.

SECTION 14. Termination of Sponsor Appointment –

- 1) Sponsor appointment may be terminated earlier than the prescribed three (3) full fiscal years, upon thirty (30) days' written notice to the Exchange, if all of the following conditions are fulfilled:
 - a. The sponsored company becomes profitable based on the eligibility criteria for non-sponsored applicants for at least one (1) full fiscal year after its listing; and
 - b. The sponsored company has no violations of the Exchange's rules for twelve (12) consecutive months.
- 2) Sponsor appointment may also be terminated earlier than the prescribed three (3) full fiscal years on grounds other than that provided in paragraph (1) of this section, provided the provisions of Section 15 are complied with.

SECTION 15. Procedure for Termination of Sponsor Appointment –

The party initiating the termination must comply with the following:

- 1) Give at least three (3) months' notice to the other party;
- 2) If a replacement sponsor has been found, notify the Exchange of the proposed termination, together with the detailed reasons for the termination, and the name of the replacement sponsor which must likewise be an Exchange-accredited sponsor;
- 3) If no replacement sponsor has been found, seek the Exchange's prior approval of the proposed termination, together with the detailed reasons for the termination; and
- 4) If the party initiating the termination is the sponsor, it shall provide to the sponsored company, in a form suitable for release to the market, confirmation that it is not aware of any non-compliance with the rules by the sponsored company that has not been brought to the attention of the replacement sponsor, or to the attention of the Exchange if a replacement sponsor has not been appointed. The sponsored company shall disclose this confirmation through the Exchange's online disclosure system.

The sponsor shall continue its sponsorship of the sponsored company during the notice period, unless a new sponsor agrees to take over before the expiry of the notice period. The sponsor and sponsored company must take all necessary steps to ensure a smooth

and proper transition of existing work of the outgoing sponsor to the replacement sponsor, including providing all relevant documents, information and records.

As a general rule, the Exchange will not approve a proposed termination of sponsor appointment if no replacement sponsor has been appointed, unless there are exceptional circumstances. In the event the Exchange grants its approval but the sponsored company fails to find a replacement sponsor within three (3) months from the date of the Exchange's approval, the Exchange shall suspend the trading of its securities. The Exchange shall automatically delist the sponsored company if it fails to appoint a replacement sponsor at the end of six (6) months from the Exchange's approval of the termination.

SECTION 16. Sponsor's Reporting Obligations –

- 1) A sponsor shall immediately notify the Exchange of the following:
 - a. A sponsored company refuses to heed its advice on matters which may involve or lead to a breach of the Exchange's rules; or
 - b. Sponsor believes that a company for which it acts as sponsor is no longer suitable for listing.
- 2) A sponsor should be available to communicate with the Exchange at all times, especially during trading hours, and whenever requested to do so.
- 3) A sponsor must cooperate and render every assistance to any investigation or inquiry conducted by the Exchange on any matter relating to its sponsor activities.

SECTION 17. Review of Sponsor Performance –

- 1) Review by the sponsor - A sponsor must undertake an annual review of its sponsorship activities to enable it to determine the effectiveness of its role as a sponsor and compliance with its obligations under the Exchange's requirements. Where any inadequacies are detected, the sponsor must take steps to address the inadequacies and to enable the effective discharge of its role and responsibilities as a sponsor.
- 2) Review by the Exchange - The Exchange may, at any time, review the performance or conduct of each sponsor provided that the Exchange gives reasonable advance notice to the sponsor of its planned review.

During the review, the sponsor must provide reasonable assistance to the Exchange, including:

- a. allowing access to all information, books and records which, in the Exchange's opinion, may be relevant to the review;
 - b. allowing access to its premises; and
 - c. requiring its directors, officers, employees and agents to provide reasonable assistance and attend interviews scheduled by the Exchange.
- 3) In reviewing the performance and conduct of sponsors, the Exchange shall have regard to:
- a. the conduct of sponsored companies for which the sponsor acts;
 - b. the conduct of the sponsor in its dealings with the Exchange in connection with its sponsor activities;
 - c. the compliance (or non-compliance) by the sponsor with the Exchange's rules or regulations applicable to sponsors, any conditions imposed by the Exchange, and all applicable legislation and guidelines issued by regulatory authorities;
 - d. the possibility or existence of conflicts of interest; and
 - e. changes to qualified key personnel during the past twelve (12) months.
- B. The Exchange may, but is not obliged to, give a copy of the results of its review to the sponsor.

SECTION 18. Regulatory Actions by the Exchange - If the Exchange determines that a sponsor no longer meets the eligibility criteria, or it has not performed its duties satisfactorily, lacks sufficient resources to discharge its obligations, or is in breach of any relevant rule or law in any place where it operates, including being the subject of any disciplinary proceedings, or any investigation which might lead to disciplinary action by any regulatory authority, the Exchange may take one or more of the following actions against a sponsor:

- 1) Reprimand the sponsor;
- 2) Require the sponsor to undergo an education program;

- 3) Require sponsor to undertake corrective action, including the removal of directors and officers not complying with the fit and proper criteria in Section 8, paragraph (5) of the rules;
- 4) Impose conditions or restrictions on sponsor's operation and sponsor activities, including restricting the sponsor from taking on additional sponsored companies; or
- 5) Suspend or revoke the accreditation of sponsor.

A sponsor whose accreditation is suspended shall have three (3) months from effectivity of suspension to rectify or cure the violation that led to its suspension. During the suspension period, it can continue to act as sponsor for its clients but cannot take on additional clients. A sponsor's failure to cure the violation and have the suspension lifted after three (3) months may result in revocation of its accreditation.

If a sponsor's accreditation is revoked, any listed company for which it acts as a sponsor shall be given three (3) months from the announcement of the revocation of the sponsor's accreditation to appoint a new sponsor.

Nothing in these rules prevents the Exchange from commencing disciplinary proceedings as it deems appropriate.

THE PHILIPPINE STOCK EXCHANGE, INC.

(Original Signed)
RAMON S. MONZON
President and CEO

(Original Signed)
ROEL A. REFRAN
Chief Operating Officer

SECURITIES AND EXCHANGE COMMISSION

(Original Signed)
VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department