



## MEMORANDUM – 2014-027

**To** : **All Trading Participants**

**Subject** : **Guidelines on the Outsourcing of Functions by Brokers Dealers**

**Date** : **27 August 2014**

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In connection with Securities and Exchange Commission (SEC) Memorandum Circular No. 5, Series of 2014, regarding the *Guidelines on the Outsourcing of Functions by Brokers Dealers*, which directed Broker Dealers to comply with the requirements of Section 12 thereof within six months from effectivity<sup>1</sup> of the said guidelines, please refer to the attached notice from the SEC.

For your information and compliance.

**CORNELIO C. GISON**  
*President*

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<sup>1</sup> The guidelines became effective on 28 February 2014.



Republic of the Philippines  
Department of Finance  
**Securities and Exchange Commission**  
SEC Building, EDSA, Greenhills, Mandaluyong City  
MARKETS AND SECURITIES REGULATION DEPARTMENT

## NOTICE

This refers to SEC Memorandum Circular No. 5, series of 2014 regarding the *Guidelines on the Outsourcing of Functions by Broker Dealers* (the "Guidelines"). The Guidelines were approved by the Commission *en banc* on February 11, 2014. A copy of the Guidelines was posted on the Commission website ([www.sec.gov.ph](http://www.sec.gov.ph)) and made available for downloading since February 6, 2014. The Guidelines became effective on February 28, 2014, or fifteen (15) days following the completion of its publication in the Philippine Star and the Manila Times on February 13, 2014.

In this regard, Broker Dealers are reminded to comply not later than **August 31, 2014** the following as required in Section 12 of the Guidelines:

- A list of all existing outsourcing contracts, detailing the service providers involved, services outsourced, terms of contracts, and such other information as may be necessary to show compliance with the provisions of the Guidelines; and
- For outsourcing contracts not in accordance with the provisions of the Guidelines, broker dealers have the option to either:
  - ✓ Preterminate the subject contract(s); or
  - ✓ Renegotiate and/or amend the outsourcing contract to comply with the requirements of the Guidelines.

In its report, Broker Dealers are to include the following:

- List of all existing outsourcing contracts (including details required under Section 12) as of date of effectivity of the Guidelines;
- List of contracts entered into during the transitory period (six month period after effectivity of the Guidelines and before submission of report), with information if these were subjected to the notification requirement in Section 10;
- If there is nothing to report, a negative attestation.

This notice is not required to be provided to Broker Dealers under any law, rule, or policy. Nonetheless, notice is being made to underscore compliance by Broker Dealers.

  
VICENTE GRACIANO P. FELZMENIO, JR.  
Director