



MEMORANDUM – 2016-003

To : All Trading Participants

Subject : Rule 28.1.7 of the Implementing Rules and Regulations of the Securities Regulation Code

Date : 19 January 2016

The Securities and Exchange Commission (SEC) has directed the Capital Markets Integrity Corporation (CMIC) to remind the Trading Participants to submit/comply with the new requirements for Broker Dealers, pursuant to Rule 28.1.7 of the Implementing Rules and Regulations of the Securities Regulation Code. For reference, attached is the letter from SEC, providing, among others, the above directive.

Relative to the foregoing, CMIC was furnished a copy of a Petition for Declaratory Relief (with Application for Temporary Restraining Order and/or Preliminary Injunction) filed on 12 January 2016 by the Philippine Association of Brokers and Dealers, Inc. or PASBDI against the SEC, together with its Chairman and Commissioners. The Petition prays for, among others: (a) the issuance of a temporary restraining order and preliminary injunction enjoining the respondents and their representatives from implementing several assailed provisions of the 2015 SRC Rules; (b) the annulment and declaration of nullity of the above provisions; and, (c) the making of the temporary restraining order and/or preliminary injunction permanent.

For your guidance.


CORNELIO C. GISON
President



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

January 09, 2016

CAPITAL MARKETS INTEGRITY CORPORATION
Unit E – 27th Floor, Tower 1 & Exchange Plaza
Ayala Avenue, Makati City
Fax No.: (+632) 6596001

Attention: **MR. CORNELIO C. GISON**
President & CEO

Gentlemen:

The Capital Markets Integrity Corporation (CMIC) is hereby directed to remind the Trading Participants to submit/comply with the new requirements for Broker Dealers pursuant to Rule 28.1.7 of the Implementing Rules and Regulations of the Securities Regulation Code (“2015 SRC IRR”), quoted below:

28.1.7. Compliance With New Requirements

Any registered Broker Dealer operating prior to the effectivity of these Rules shall, within ninety (90) calendar days from these Rules' effectivity, comply with all the requirements provided under these Rules that are not otherwise included in its original registration.

xxx.

Since the 2015 SRC IRR became effective on 09 November 2015, the ninetieth (90th) day from said effectivity is 07 February 2016 which falls on a Sunday, whereas the following day, 08 February 2016, is a non-working holiday. Hence, compliance with the new requirements by Broker Dealers would be on **09 February 2016**. Included for compliance on said date is the submission of, among others, the following documents:

- Detailed description of Organizational and Functional Charts, the names and designations of the officers, including branch offices.
- Risk Management Manual and Internal Control Procedures.
- Business Continuity and Disaster Recovery Plan.
- Comprehensive Information Technology Plan, to include among others: a) a list and brief description of the software and hardware to be primarily used in its functions and their location; b) a back-up system or subsystem and their location; c) security system and procedures to be employed; d) procedures to check sufficiency of system's capacity and expansion program, if necessary; and e) IT system maintenance schedule.
- Copies of proposed contract of any activities or services that are being outsourced.
- Updated written supervision and control procedures (WSP), including procedures for establishing and segregating transactions pursuant to Section 34.1 of the SRC, taking into consideration the requirements of the Anti-Money Laundering Act of 2001 (RA 9160, as amended), and the Revised Code of Corporate Governance.

Further, Rule 49.1.1.3 of the 2015 SRC IRR provides:

49.1.1.3. Every Broker Dealer covered by the RBCA Requirements shall prepare its RBCA report and file the same with the Commission and the SRO (if such Broker Dealer is a Trading Participant) on or before the 20th of the month, for RBCA Report covering the period 1st to 15th of the month and on the 5th of the month, for RBCA Report covering the period 16th to 30th/end of the month. xxx

Consistent with Rules 28.1.7 and 49.1.1.3, the first bi-monthly RBCA Report should be submitted on **20 February 2016** covering the period 1st to 15th of February 2016.

For your guidance and compliance.

Very truly yours,


VICENTE GRACIANO P. FELIZMENIO, JR.
Director