

**MEMO FOR BROKERS – 2013-005**

To : All Trading Participants

Subject : Reminders on Philippine Stock Exchange ("PSE") Rules on Establishing and Maintaining Branches and/or Agencies of Trading Participants

Date : 6 February 2013

Last 7 June 2011, the Securities and Exchange Commission approved the Rules on Establishing and Maintaining Branches and/or Agencies of Trading Participants ("TPs") of the Philippine Stock Exchange ("PSE").

The Capital Markets Integrity Corporation is reminding TPs with branches and/or agencies, as well as TPs who plan to establish any branch and/or agency to comply with the requirements of the said rules.

For reference and guidance, attached is a copy of the approved Rules on Establishing and Maintaining Branches and/or Agencies of Trading Participants.


ANTONIO GARCIA, JR.
President and Chief Executive Officer 

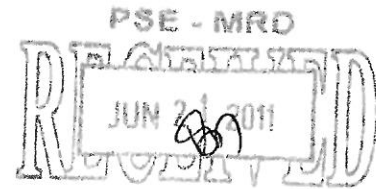


REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
SECURITIES AND EXCHANGE COMMISSION
*SEC Building, EDSA, Greenhills
Mandaluyong City*

Market Regulation Department

June 7, 2011

PHILIPPINE STOCK EXCHANGE, INC.
PSE Plaza
Ayala Triangle, Makati City
Fax No. 891-9004



Attention: ***Mr. Hans B. Sicat***
President & CEO


Gentlemen:

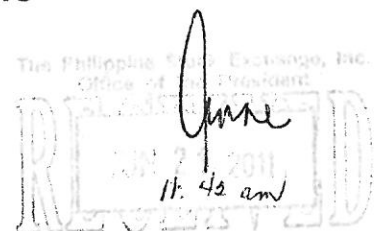
Attached are two (2) copies of the approved PSE's proposed Rules on Establishing and Maintaining Branches and/or Agencies of Trading Participants Agencies of Trading Participants, bearing the signatures of PSE representatives and countersigned by the Director, Market Regulation Department, SEC.

Please immediately post the amended rules in your website and inform the Commission on the effectivity of the amended rules.

We also suggest that the Exchange conduct information campaign about the changes in the rules for the guidance of listed companies, trading participants and the investing public.

Very truly yours,


JOSE P. AQUINO
Director



RULES ON ESTABLISHING AND MAINTAINING BRANCHES AND/OR AGENCIES OF TRADING PARTICIPANTS

ARTICLE I. GENERAL PROVISIONS

Section 1. *Coverage.* These Rules shall apply to Trading Participants who establish and maintain branches; and to those who, in connection with the conduct of their securities business, contract the services of an agent to represent them or act on their behalf in dealing with third parties.

Section 2. *Definitions.* (a) In these Rules, the following capitalized words and expressions shall, unless the context requires otherwise, have the meanings ascribed to them hereunder:

"Agency" shall mean a contract wherein a person, referred to as an "Agent" binds himself to render services or to do something in representation of or on behalf of a Trading Participant in connection with the latter's securities business activities such as soliciting clients and buying or selling of securities ;

"Agent" shall mean a duly licensed person by the Commission to buy and sell securities, covered by a valid and existing Agency Agreement or Contract with a Trading Participant;

"Branch" a unit of a Trading Participant, located at a place other than its head office or corporate headquarters where it conducts its securities business,

"Commission" shall mean the Securities and Exchange Commission of the Philippines.

"Exchange" or "PSE" shall mean the Philippine Stock Exchange, Inc.

"MIB" shall mean the Market Integrity Board of the Exchange.

"MRD" shall mean the Market Regulation Division of the Exchange.

"Rules" shall mean these Rules.

"Member in good standing" shall mean a Trading Participant who complies with all requirements for maintaining its standing in the Exchange



which includes (but is not limited to) compliance with requirements for maintaining a valid license in accordance with the provisions of Securities Laws and the rules of the Exchange.

"Securities Laws" shall mean the Securities Regulation Code ("SRC"), its implementing rules and regulations, and the rules (including these Rules), circulars, directives and/or other issuances of the Commission or the Exchange to govern Trading Participants, Issuers and other market players.

"Trading Participants" shall mean brokers and/or dealers duly licensed by the Commission and authorized to exercise a Trading Right pursuant to the rules of the Exchange. Unless the context requires otherwise, the term shall include directors, officers, Associated Persons, Salesmen and other agents of Trading Participants.

(b) Unless the context requires otherwise or unless otherwise defined herein, the terms used in these rules shall have the same meanings under the Securities Regulation Code and its implementing rules and regulations or other relevant rules of the Exchange.

ARTICLE II. BRANCHES

Section 1. Requirements. A Trading Participant, which intends to open a branch, shall comply with the following requirements:

- (a) Registration of the branch in accordance with the requirements of the Commission as set forth in SRC Rule 28.1, paragraph E. (2) vi and vii;
- (b) Compliance with the Exchange rules on opening of branches, including payment of the relevant fees;
- (c) Submission of list of Branch Employees and their designation. The list should be updated within 30 days from the date of any change therein, such as transfer or resignation or new hire, new assignment, etc.;
- (d) Submission of written supervisory rules which should include details regarding organizational structure and person/s designated to supervise the branches and control mechanisms;



(e) Submission of Operations Manual which should include

- 1) A flow chart;
- 2) A description of its procedures for record-keeping, including provisions for maintaining back-up copies for disaster recovery purposes;
- 3) Reports to be submitted to the head office which should also indicate the frequency of submission; and ✓
- 4) Other control measures to be created by the Head Office including provisions for handling investors/customers complaints; and ✓ *from 6/2*

(f) Maintenance of a copy of updated Securities Laws in the branch premises.

Trading Participants with existing branch offices shall likewise comply with the foregoing requirements, specifically, items (d), (e) and (f) above.

Section 2. *Liability.* A Trading Participant shall be liable for all acts and omissions of its Branch and Branch employees. As a unit of the Trading Participant, the Branch shall be subject to, and shall comply with, all Securities Laws.

Section 3. *Branch Closure.* (a) A Trading Participant intending to close a branch shall file written notice thereof with the Exchange and the Commission at least thirty (30) days before the intended closure date. It shall simultaneously notify all its branch clients of the intended closure and advise them how it will continue to serve their accounts. The notices shall be posted on the websites of the PSE and the Trading Participant.

(b) The Trading Participant, through its head office, shall comply with all requirements on record retention.

(c) The Trading Participant shall comply with other requirements, which the MRD may impose prior to the closure of the branch for the protection of its clients, including a pre-closure audit.

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ARTICLE III. AGENCY

Section 1. *Agents.* Only natural persons who are duly registered and licensed by the Commission to buy and sell securities may be an Agent of a Trading Participant.

Section 2. *Requirements.* Before commencing any agency arrangement, a Trading Participant and its Agent shall comply with the following requirements:

- (a) Execution of an agency agreement duly approved by the MRD ;
- (b) Submission of a copy of the Agent's valid and existing license issued by the Commission;
- (c) Submission of an undertaking by the Trading Participant and the Agent to allow MRD to periodically conduct an audit of the Agent's transactions;
- (d) Submission of a list of all the employees of the Agent who will assist the Agent in performing his obligations under the agency agreement, with an undertaking to update the list within 30 days from the date of any change therein, provided that employees of the Agent who will engage in solicitation activities should also secure a license as salesmen with the Commission;
- (e) Undertaking by the Trading Participant and the Agent that all securities transactions shall be entered into on behalf of the clients only by the Agent and not by any other unlicensed person;
- (f) Posting in a conspicuous place in the Agent's office or place of business a copy of his SEC salesman's license, and a certification from the Trading Participant that the agent is acting for and on its behalf and statement as to when such authority would expire;
- (g) Retention of copies of Customer Account Information Forms (CAIFs) in the Agent's Office;
- (h) Submission of an operations manual or the manner by which the Agent shall perform his obligations under the agency agreement; and
- (i) Maintenance by the Agent of updated copies of the Securities Laws in the Agent's place of business.

Section 3. *Agency Agreement.* The undertakings and other obligations set forth in Section 2 above shall be deemed incorporated in the agency agreement and assumed by the Trading Participant and the Agent.

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Section 4. *Liability.* A Trading Participant shall be liable for the acts and omissions of its Agent, including liability for violation of the Securities Laws and liability to customers, the Exchange and other Trading Participants.

By agreeing to be an agent of a Trading Participant, the Agent shall be obliged to comply with the Securities Laws and shall be bound by the Code of Conduct and Professional Ethics for Traders and Salesmen, including the sanctions for violations thereof.

Section 5. *Termination of Agency Agreement.* A Trading Participant shall inform its clients and the public of (a) the expiration or termination of an agency agreement and (b) with respect to the affected clients, how it shall continue to serve their accounts. For this purpose, a Trading Participant shall always maintain an updated list of its authorized agents and regularly update the PSE of any changes.

Section 6. *Complaints.* Agency-related complaints will be filed and investigated in accordance with the Exchange rules and procedures governing complaints against Trading Participants. Moreover, such complaints, may be filed and investigated even after the expiration of the Agency, subject to the prescriptive periods set forth in the Exchange Rules.

ARTICLE IV. SEPARABILITY PROVISIONS

If any provision of these Rules shall hereafter be declared invalid by the courts or is amended or modified by the Commission or the Exchange or Securities Laws, the other provisions of these Rules not otherwise affected thereby shall remain in full force and effect.

ARTICLE V. REPEALING CLAUSE

All circulars, orders, rules and regulation or parties thereof inconsistent with any provision of these Rules are hereby repealed or modified accordingly.

ARTICLE VI. EFFECTIVITY

These Rules shall take effect fifteen (15) days from its publication in the PSE website.



THE PHILIPPINE STOCK EXCHANGE, INC.



HANS B. SICAT
President & Chief Operating Officer



JINKY A. ALORA
OIC, AVP-MRD

SECURITIES AND EXCHANGE COMMISSION



JOSE P. AQUINO
Director, Market Regulation Department