

AMENDMENTS TO RULE 34.1 AND RULE 38 OF THE IMPLEMENTING RULES AND REGULATIONS OF THE SECURITIES REGULATION CODE (SRC)

SEC MEMORANDUM CIRCULAR NO. 13, S. 2004, October 21, 2004

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The Commission, in its SEC-EXS Resolution No. 104, Series of 2004, dated 31 August 2004, amended paragraph (1) A(1)(b) of SRC Rule 34.1. The amended paragraph reads as follows:

SRC Rule 34.1 - Segregation and Limitation of Functions of Members, Brokers and Dealers

[formerly SRC Rules 34.1-2 and 34.1-3]

"1. Segregation of Broker and Dealer Function. Affiliations and Practices.

A. x x x x x x x x

1. x x x x x x x x:

a. x x x x x x x x;

b. When the Member-Broker holds an unexecuted customer's Order with priority (pre-existing order), then any Broker's Order that takes precedence over the pre-existing order shall better the pre-existing highest bid or lowest offer from a customer by at least one (1) fluctuation or such other number of fluctuations that the Commission, by Order, may set from time to time.

x x x x x x x x"

Furthermore, the Commission, in its SEC-EXS Resolution No. 88, Series of 2004, dated 10 August 2004 and Resolution No. 537, Series of 2004, dated 7 October 2004, resolved to amend paragraphs 2(E) and 2(F) of SRC Rule 38. The amended paragraphs read as follows:

SRC Rule 38 - Requirements on Nomination and Election of Independent Directors

(formerly, SRC Rule 38.1 - Definition of "Independent Director")

"1.

x x x x x x x x

"2. x x x x x x x x

x x x x x x x x

E.

Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

F.

Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

x x x x x x x x"

These amendments shall take effect fifteen (15) days from their publication in a newspaper of general circulation in the Philippines.

Adopted: 21 Oct. 2004

For the Commission:

(SGD.) FE B. BARIN

Chairman

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