# NOTICE

**Subject:** **REVISING THE RULES ALLOWING TRADING OF "B" SHARES ON THE REGULAR BOARD AND REQUIRING BUYERS TO ACCEPT EITHER "B" OR "A" CERTIFICATES**

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The public is advised that the Commission *En Banc,* in its meeting held on 22 April 2025 resolve to expose the draft Memorandum Circular on *REVISING THE RULES ALLOWING TRADING OF "B" SHARES ON THE REGULAR BOARD AND REQUIRING BUYERS TO ACCEPT EITHER "B" OR "A" CERTIFICATES.*

The Commission hereby requests for comments, suggestions and/or inputs from all concerned on the proposed draft Memorandum Circular by submitting written comments on or before 24 May 2025 through email at ipsd msrd@sec.gov.ph, eavalencia@sec.gov.ph and ggjarugay@sec.gov.ph with our proposed subject of **"COMMENTS ON REVISED RULES ALLOWING TRADING OF "B" SHARES ON THE REGULAR BOARD AND REQUIRING BUYERS TO ACCEPT EITHER "B" OR "A" CERTIFICATES."**

Issued on 25 April 2025.

**SEC MEMORANDUM CIRCULAR NO. _____**
Series of 2025

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| TO | : | **ALL CONCERNED** |
| SUBJECT | : | **REVISING THE RULES ALLOWING TRADING OF "B" SHARES ON THE REGULAR BOARD AND REQUIRING BUYERS TO ACCEPT EITHER "B" OR "A" CERTIFICATES** |
| DATE | : | **25 April 2025** |

**WHEREAS,** on 07 September 1973, the Commission issued the guidelines entitled "*Rules Allowing Trading of "B" Shares on the Regular Board and Requiring Buyers to Accept Either "B" or "A" Certificates.*" Such guidelines were issued as a means to monitor foreign ownership through the classification of common shares of publicly listed companies into Class "A" and Class "B" shares;

**WHEREAS,** the guidelines were made to insure the sixty percent (60%) Filipino and forty percent (40%) alien ownership of stock as required under existing applicable laws. The ownership limit was monitored through the issuance of Class "A" and Class "B" shares, wherein Class "A" shares can only be issued to Filipino citizens, while Class "B" shares may be issued to Filipinos and aliens alike;

**WHEREAS,** the guidelines state that "Any and all "B" shares may be sold also on the regular board, since said shares may be issued to Filipinos and aliens alike. Accordingly, buyers on the regular board shall accept the delivery of either "A" or "B" certificates or "B" certificates and cannot choose."[1]

**WHEREAS,** on 13 May 1997, the Commission directed the Philippine Stock Exchange (PSE) to declassify shares of companies going public in order to eliminate the unfair disparity in price between Class A and Class B shares. The declassification, however, had prospective application and, thus, shares already classified as A or B continued to be classified as such;

**WHEREAS,** there remains several listed companies which have common shares classified as Class "A" and Class "B" for the sole purpose of monitoring equity ownership of local and foreign investors, as these shares bear the same rights, privileges and entitlement to dividends;

**WHEREAS,** presently, the PSE maintains a system that strictly monitors and enforces foreign ownership limits given the current technological advances in its trading system;

**WHEREAS,** the classification of the "A" and "B" shares has been a source of administrative inefficiencies for the trading participants and the Securities Clearing Corporation of the Philippines (SCCP), as well as unwarranted arbitrage for holders of class "B" shares;

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[1] Section 1, *Rules Allowing Trading of "B" Shares on the Regular Board and Requiring Buyers to Accept Either "B" or "A" Certificates,* 7 September 1973.

**WHEREFORE, IN VIEW OF THE FOREGOING,** the Commission hereby promulgates the following directives:

**SECTION. 1. Declassification of Class "A" and Class "B" shares.** To ensure efficiency in executing and settling equity trades, the classification of common shares into Class "A" and Class "B" of the all listed companies shall be discontinued.

**SEC. 2. Period to amend Articles of Incorporation –** Following the mandated declassification of the Class "A" and "B" shares, the listed corporations still having both Class "A" and Class "B" shares shall amend their respective Articles of Incorporation to reflect such change within one (1) year from the effectivity of this Memorandum Circular.

**SEC. 3. No compulsion to accept alternative class of shares.** During the period to amend AOI, buyers on the regular board shall accept the delivery of the specific class of shares that they have purchased and paid for, and shall not be compelled to receive an alternative class of shares.

**SEC. 4. Penalties.** Violation of the provisions of this Memorandum Circular shall be subject to the appropriate penalty provided under Section 54 of the Securities Regulation Code.

**SEC. 4. Repealing Clause.** All other rules and regulations or parts thereof, inconsistent with this Circular are repealed, amended or modified accordingly.

**SEC. 5. Effectivity -** This circular shall take effect immediately after its complete publication in the *Official Gazette* or in at least two (2) newspapers of general circulation in the Philippines.

Done this ________________ in Makati City, Philippines.

For the Commission:

**EMILIO B. AQUINO**
Chairperson