

NOTICE

**Subject: PROPOSED RULES AND REGULATIONS GOVERNING THE
REGISTRATION AND TRADING OF STRUCTURED WARRANTS**

The public is advised that the Commission En Banc, in its meeting held on 28 April 2026 resolved to expose the draft Memorandum Circular on the *PROPOSED RULES AND REGULATIONS GOVERNING THE REGISTRATION AND TRADING OF STRUCTURED WARRANTS*.

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 **13 May 2026** through email at ipsd_msrd@sec.gov.ph with our proposed subject of **“COMMENTS ON THE PROPOSED PROPOSED RULES AND REGULATIONS GOVERNING THE REGISTRATION AND TRADING OF STRUCTURED WARRANTS.”**

Issued on 29 April 2026 in Makati City, Philippines.

SEC MEMORANDUM CIRCULAR NO. ____
Series of 2026

TO : ALL CONCERNED

SUBJECT : RULES AND REGULATIONS GOVERNING THE REGISTRATION
AND TRADING OF STRUCTURED WARRANTS

DATE : ____ 2026

WHEREAS, in view of Section 2 of the Securities Regulation Code (SRC) declaration of state policy to promote the development of the capital market, the Commission deems it necessary to establish a regulatory framework for the introduction of Structured Warrants as a new investment derivative in the Philippine capital market;

WHEREAS, under Rule 12.1.3.1.9 of the 2015 Implementing Rules and Regulations (IRR) of the SRC (2015 SRC Rules), the Commission is authorized to issue special rules governing the registration and trading of Structured Warrants;

WHEREAS, the issuance and trading of Structured Warrants are expected to broaden the range of investible securities, deepen market liquidity, and align local market practices with international standards, while providing investors with additional opportunities for portfolio diversification and risk management;

WHEREAS, to safeguard market integrity and uphold investor protection, there is a need to adopt clear, consistent, and comprehensive rules governing the registration and trading of Structured Warrants;

WHEREAS, these Rules and Regulations shall be read in conjunction with any subsequent amendments or updates which the Commission may issue from time to time;

NOW, THEREFORE, the Commission hereby issues the following Rules and Regulations Governing the Registration and Trading of Structured Warrants.

Section 1. INTERPRETATION OF RULES

1.1. Any doubt in the interpretation of these Rules shall be resolved in a manner which would establish a socially conscious free market that regulates itself, encourage the widest participation of ownership in the enterprises, enhance the democratization of wealth, promote the development of the capital market, protect investors and ensure full and timely disclosure of material information.

1.2. The requirements under these Rules shall be in addition to those provided under the following: (1) SRC and other related laws and their IRRs insofar as their provisions are applicable; (2) internal policies, procedures, conventions of brokers or dealers, and (3) rules, procedures and conventions of the Exchange and SRO that shall regulate and supervise the brokers, dealers, salesmen or associated persons of broker or dealer, to the extent that such policies, rules, procedures and conventions do not contravene the SRC, its IRR and these Rules.

Section 2. DEFINITION OF TERMS USED IN THE RULES AND REGULATIONS

When used herein, unless the context otherwise requires:

- (A) **American Style** refers to an exercise style wherein the structured warrant may be exercised at any time up to and including its expiry date.
- (B) **Base Prospectus** refers to the document containing general information on the issuer, the guarantor (if applicable), and the general terms of the structured warrants, which is supplemented by a term sheet for each issuance, as provided under Section 4.6 of these Rules.
- (C) **Commission** refers to the Securities and Exchange Commission (SEC) Philippines.
- (D) **Exchange** is an organized marketplace or facility that brings together buyers and sellers and executes trades of securities and/or commodities.
- (E) **Exercise Price** means the pre-specified price or level of the underlying financial instrument at which the holder of a structured warrant may exercise the right under such warrant.
- (F) **European Style** refers to an exercise style wherein the structured warrant may only be exercised on the expiry date.
- (G) **Fully Collateralized Call Structured Warrants** shall refer to call warrants where the issuer owns all the underlying financial instruments to which the structured warrants relate and grants a charge over such financial instruments in favor of a custodian, which acts for the benefit of the holders of the structured warrants for the entire term of the issue.
- (H) **Further Issue** refers to an issuance of additional Structured Warrants forming part of an existing series, with terms and conditions identical to those of the existing issuance, except with respect to issue size and, where applicable, tenure.
- (I) **Guaranteed Issue** shall refer to an issuance of structured warrants where the obligations of the issuer are unconditionally and irrevocably guaranteed by a guarantor, as contemplated under Section 4.4 of these Rules.
- (J) **Issuer** refers to a third-party financial institution that issues structured warrants listed or proposed to be listed on the Exchange.
- (K) **Market Making** means the act of entering bid and offer prices in the automated trading system of an exchange to ensure two-way quotes, provide liquidity, and maintain a fair and orderly trading market therein.
- (L) **Non-collateralized Structured Warrants** means structured warrants where the underlying financial instrument is not held in deposit by a custodian for the entire term of the structured warrants issued.
- (M) **SRC** refers to the Securities Regulation Code or Republic Act No. 8799.
- (N) **Structured Warrant** is a financial product issued by a third-party financial institution that gives the holder the right, but not the obligation, to either buy or sell an underlying financial instrument at a predetermined price on or before a certain date in the future.
- (O) **Term Sheet** refers to the document containing the specific terms and conditions of a particular series of structured warrants, to be issued by the issuer from time to time, which shall form an integral part of, and must be read together with, the prospectus.

(P) **Underlying Financial Instruments** refer to any assets, securities, any combination of securities, or indices that serve as the basis for determining the value, settlement, or payoff of a particular series of Structured Warrants. *(See Section 3.2.5 for Eligible Underlying Financial Instruments under these Rules.)*

(Q) **Underlying Corporation** refers to the company(ies) that has/have issued the underlying financial instrument, where such instrument is a security or, in the case of a securities index, the index provider or any company forming part of such index. Where applicable, the underlying corporation shall meet the requirements set forth by the Exchange.

Section 3. ELIGIBLE ISSUERS OF STRUCTURED WARRANTS

3.1. The following entities duly incorporated in the Philippines or foreign corporations duly licensed to transact business in the Philippines may qualify to issue structured warrants, subject to compliance with the requirements prescribed under these Rules:

- (A) Licensed Broker-Dealers; and
- (B) Licensed Investment Houses

3.1.1. Issuers of Non-Collateralized Structured Warrants

The issuer shall have a credit rating of at least investment grade from a credit rating agency recognized and accredited by the Commission, or where it fails to possess the required credit rating, the Commission may accept an arrangement whereby the issuer's obligations arising from the structured warrants are unconditionally and irrevocably guaranteed or otherwise secured to the satisfaction of the Commission by:

- (a) its holding company having a credit rating and minimum unimpaired paid up capital required from that of the issuer; or
- (b) a financial institution with a credit rating and minimum unimpaired paid up capital required from that of the issuer.

3.1.2. Issuers of Fully Collateralized Call Structured Warrants

3.1.2.1. The issuer shall appoint a qualified custodian which shall take custody and control of the underlying assets.

3.1.2.2. The issuer shall ensure that before it enters into an agreement with a custodian, it shall have determined that said custodian meets the following requirements:

- (A) It is either a registered universal or commercial bank with trust license, or a non-bank entity with a trust license, or a registered securities depository; and
- (B) It has adequate resources, including competent staff, and appropriate systems, procedures and processes to ensure that the underlying assets are held in the following manner:
 - (i) Clearly identified and properly labeled as underlying financial instruments of the structured warrants; and
 - (ii) Underlying financial instruments are properly segregated physically and on the records of the custodian;

3.1.2.3. Satisfy the Commission that the proposed security arrangements are for the benefit of and adequately protect the interests of holders of the structured warrants. Deposit such securities or assets with the custodian in order to secure performance by the issuer of such obligations and authorize the custodian to deliver the underlying assets to holders of the structured warrant upon valid exercise of the collateralized structured warrant in the event that the issuer is unable to discharge its obligations; and

3.1.2.4. Provide a warranty to the custodian for the benefit of holders of the structured warrant that the underlying securities are unencumbered, that the securities or assets are being held by the custodian for the benefit of holders of the structured product and that the issuer will, upon a valid exercise, be able to convey to holders of the structured warrant good title to the underlying assets free from all claims, charges, encumbrances, liens, equities and other third party rights whatsoever.

3.2. Issuers of structured warrants shall further comply with the following requirements:

3.2.1. Capitalization requirement

An issuer shall have and maintain, at all times while any structured warrants remain outstanding, a minimum unimpaired paid-up capital of Four Hundred Million Pesos (PhP 400,000,000.00). In the event that its unimpaired paid-up capital falls below the required minimum, the issuer shall immediately notify the Commission and the Exchange.

3.2.2. Risk management practices

3.2.2.1. In undertaking structured warrants issuance activities, an issuer shall practice the basic principles of prudence and ensure that it has the following:

- (i) Adequate infrastructure for risk management;
- (ii) Adequate risk management processes that integrate sound measurement and valuation procedures, prudent risk limits, continuous risk monitoring and regular management reporting;
- (iii) Comprehensive internal controls and audit procedures; and

3.2.2.2. The board of directors and/or senior management of the issuer must ensure that they have effective oversight of the risk management practices of the issuer.

3.2.2.3. The board of directors and/or senior management of the issuer must ensure that prior to any issuance of structured warrants, the issuer must already have in place personnel with the necessary skills and knowledge to perform the risk management function.

3.2.2.4. The board and/or senior management of the issuer shall approve written policies and procedures which describe the overall framework for managing product risks. These policies shall cover the following aspects:

- (i) Investment objectives/purpose of issuing structured warrants;
- (ii) Definition of the parameters for the authorization of the issuance of structured warrants;
- (iii) Identification, measurement and management of risks including the credit, market, liquidity, legal, operational, regulatory, and extraordinary risks associated with the product;
- (iv) Risk measurements and reporting methodologies that are commensurate with the issuer's business strategies, size and complexity of operations, and the risk profile of the product, on an ongoing basis;
- (v) Clear delineation of lines of responsibility for managing product-related risks;
- (vi) Provision of sufficient resources, which include competent staff and information technology systems and infrastructure to support the risk management and daily operations of the new and existing derivatives products;
- (vii) Regular reviews of product's risk exposures to ensure all material risks are identified and monitored when market condition changes;

- (viii) Review of stress scenarios that measure the impact of market conditions that may cause volatility swings or reduced liquidity; and
- (ix) Comprehensive and regular reports to the board and/or senior management that include the degree of compliance with policies and procedures for managing product risks, current assessment of product risks and any change in the direction of risks.

3.2.2.5. The board and/or senior management of the issuer shall ensure comprehensive internal controls and audit function which includes the following:

- (A) A review of the adequacy and effectiveness of the overall risk management system, including compliance with policies, procedures and risk limits;
- (B) A check for adequacy of the various operational controls, including segregation of duties and staff's compliance with the established policies and procedures; and
- (C) The board and/or senior management of the issuer shall also ensure that all policies and procedures are in place and are effective in monitoring the product risks on an ongoing basis.

3.2.2.6. The issuer shall conduct an internal and external risk assessment at least annually and upon significant changes in market conditions, and submit a summary of such assessment to the Commission upon request.

3.2.2.7. The issuer shall ensure that its risk management framework incorporates appropriate measures to address risks to financial consumers, consistent with the SEC Rules and Regulations of the Financial Products and Services Consumer Protection Act of 2022 ("SEC FCPA IRR").

3.2.3. Sales and marketing practices

3.2.3.1. Issuers may, after the issuance of Permit to Sell and Order of Registration by the Commission and subject to compliance with all relevant laws, rules and regulations, release publicity materials in relation to such structured warrants.

3.2.3.2. Issuers shall establish and maintain policies and procedures governing the marketing and sale of structured warrants, including measures to ensure that customers are provided with appropriate disclosures on the key features and risks of the product.

3.2.3.3. Issuers shall put in place a system for handling customer complaints.

3.2.3.4. Issuers shall have in place continuous educational programs, which may include seminars, workshops, media briefings, interviews, and similar activities, to promote investor awareness of structured warrants. Such programs and materials shall clearly explain the characteristics, inherent risks, and key mechanisms of structured warrants, including a clear explanation on the mechanics of market making in structured warrants.

3.2.3.5. Issuers shall maintain a dedicated webpage or website on structured warrants which shall include, at a minimum:

- (a) educational documents/materials;
- (b) the latest prospectus;
- (c) the term sheets;
- (d) an explanation of the issuer's role and obligation as a market maker (if applicable); and
- (e) the daily prices of structured warrants.

The webpage or website shall be updated from time to time to reflect any new developments or current market practice.

3.2.3.6. All marketing, promotional, and educational materials relating to structured warrants shall be clear, fair, and not misleading, and shall be presented in plain and understandable language. *Provided*, That such materials shall not omit any material information or present information in a manner that would mislead investors as to the nature, features, or risks of the structured warrants.

3.2.3.7. The issuer shall ensure that its marketing and market conduct practices, including disclosures and handling of customer complaints, are conducted in accordance with the SEC FCPA IRR.

3.2.3.8. The Commission may, at any time, review all educational, marketing, and promotional materials intended for public distribution to ensure consistency with the registered prospectus and applicable regulatory standards.

3.2.4. Conflict of interest

3.2.4.1. An issuer shall put in place supervisory and internal control procedures and systems to ensure that: —

- (i) any potential conflict of interest is addressed including those arising from related party transactions (trading and issuing of structured warrants);
- (ii) there are adequate and effective Chinese walls between the various divisions of the issuer's business; and
- (iii) non-public information is not shared with unauthorized persons.

3.2.4.2. The issuer shall disclose potential conflict of interest in its prospectus including the above supervisory and internal control procedures and systems that will address or mitigate such potential conflict of interest.

3.2.4.3. Where the issuer reasonably believes that there is a conflict of interest, it shall take all reasonable steps to resolve or adequately mitigate the conflict.

3.2.4.4. The issuer shall make full disclosure to the Commission of the nature of the conflict of interest and the steps undertaken to address such conflict using SEC Form 17-C.

3.2.4.5. The issuer shall also disclose any conflict of interest to its clients.

3.2.5. Eligible Underlying Financial Instruments

3.2.5.1. An eligible issuer shall only issue structured warrants over the following underlying financial instruments:

- (a) Single equities listed on a Philippine or foreign stock exchange;
- (b) Securities indices, whether local and foreign, as reference values;
- (c) Exchange-Traded Funds (ETFs), whether local and foreign;
- (d) Debt securities listed on a Philippine or foreign exchange;
- (e) Baskets of listed equities or listed debt securities, whether local or foreign; or
- (f) Such other assets or reference values as may be prescribed or approved by the Commission.

3.2.5.2. All underlying financial instruments shall be listed on an exchange in good standing and shall comply with the requirements relating to liquidity, market capitalization, trading volume, and such other criteria as may be prescribed by the Exchange.

3.2.5.3. Foreign underlying financial instruments shall be listed and traded on an exchange that is a member of the World Federation of Exchanges.

3.2.5.4. Structured warrants shall entitle warrant holders, upon exercise, the right, but not the obligation, to purchase from the issuer, in the case of call warrants, or sell to the issuer, in the case of put warrants, the underlying financial instruments at a predetermined exercise price through physical or asset settlement, or to receive a cash payment determined by reference to the price or value of the underlying financial instrument through cash settlement. The mode of settlement shall be specified at issuance and shall not be subject to election or change at the option of the issuer.

3.2.5.5. Structured warrants shall be exercisable either in American style, where exercise is permitted at any time up to and including the expiry or maturity date, or in European style, where exercise is permitted only on the expiry or maturity date.

3.2.5.6. Structured warrants shall be issued as either fully collateralized or non-collateralized, subject to compliance with Sections 3.1.1 and 3.1.2 of these Rules. Where the mode of settlement is physical or asset delivery, the structured warrants shall be fully collateralized.

3.2.5.7. Structured warrants shall be restricted to cash settlement in the following circumstances:

- (a) Where the underlying financial instrument is a securities index;
- (b) Where the underlying financial instruments are listed or traded on a foreign exchange;
- (c) Where the structured warrants are non-collateralized and linked to a basket of securities; or
- (d) Where physical or asset settlement would result in a breach of applicable laws or regulations, including foreign ownership or nationality restrictions.

3.2.5.8. An issuer shall be prohibited from offering structured warrants linked to the securities of an underlying corporation where the issuer, or any of its holding companies, subsidiaries, affiliates, or related companies, is engaged in any of the activities listed under Section 7 of Presidential Decree No. 129 or the Investment Houses Law, or has undertaken underwriting or similar commitments in relation to a transaction involving such underlying corporation.

3.2.6. Maximum and minimum issue size

3.2.6.1. Where the issue of structured warrants is based on underlying financial instrument(s) listed or quoted on the Exchange in the Philippines, the total number of structured warrants to be issued, together with all structured warrants already issued and outstanding, shall not exceed fifty percent (50%) of the total number of issued shares of the underlying corporation, excluding treasury shares. In computing the fifty percent (50%) limit, company warrants issued by the underlying corporation itself shall not be included.

3.2.6.2. Where structured warrants over the same local underlying financial instrument(s) may be issued by more than one issuer, each issuer shall:

- (i) prior to the registration of structured warrants with the Commission, obtain from the Exchange a certification that the proposed issuance, when aggregated with all outstanding structured warrants over the same local underlying financial instrument, does not exceed the limit prescribed under Section 3.2.5.1;
- (ii) ensure that its issuance, when aggregated with all outstanding structured warrants over the same underlying financial instrument(s), does not result in a breach of the prescribed limit;

- (iii) promptly report to the Exchange on which the structured warrants are to be listed, in such form and frequency as may be prescribed, any issuance, exercise, expiry, cancellation, or other change affecting the number of structured warrants outstanding; and
- (iv) maintain records of the number of structured warrants issued and outstanding in respect of each underlying financial instrument, and make such records available to the Commission upon request.

The Commission and the Exchange may monitor compliance with the aggregate limit and may require such additional disclosures or reports as may be necessary.

3.2.6.3. The minimum issue size must be: —

- (A) PhP 20 million; or
- (B) PhP 10 million, if there is a designated Market-Maker for the structured warrants.

3.2.6.4. The Commission reserves the right to revise the maximum and minimum issue size requirements based on observed liquidity, investor demand, and market conduct.

3.2.7. Eligible Warrant Holders of Structured Warrants

3.2.7.1. The offering of structured warrants shall be offered to investors based on the conduct of Client Suitability Assessment (“CSA”) in accordance with SRC Rule 30.2.4 Suitability Rule and the SEC FCPA IRR.

3.2.7.2. To ensure that investors understand the risks associated with structured warrants, investors shall be required to sign a Pre-Acceptance and General Risk Disclosure Statement (PGRDS) with their brokers prior to commencing trading in structured warrants.

Section 4. REGISTRATION OF STRUCTURED WARRANTS UNDER THE SRC

4.1. No person shall sell, offer for sale, or distribute structured warrants unless such securities have been duly registered in accordance with the requirements of the SRC and these Rules.

4.2. Relative to the foregoing requirement, an eligible issuer shall file a Registration Statement (“RS”) using SEC Form 12-1 duly signed by its principal executive officer, principal operating officer, principal financial officer, controller, principal accounting officer, corporate secretary, or persons performing similar functions. The eligible issuer shall file the SEC Form 12-1 together with the prescribed filing fee.

4.3. The issuer shall disclose in its Registration Statement the terms and conditions of the structured warrant plan, including the computational data and methodologies relevant thereto.

4.4. The issuer shall provide a prospectus containing the information required under SRC Rule 12 and these Rules. Such prospectus shall be clear, complete, and not misleading, and shall contain all information necessary to enable investors to make an informed investment decision, in a manner consistent with the disclosure and transparency standards under the SEC FCPA IRR.

4.4.1. Front Page of the Registration Statement, Prospectus, and Term Sheet(s), as applicable – The outside cover page(s) of the Registration Statement, the prospectus, and the term sheet(s), as applicable, shall contain the following information and statements:

4.4.1.1. Particulars of the issuer including full name, place of incorporation, statute under which it was incorporated, and registration number. For foreign incorporated issuers, it should state that it has been registered as a foreign company in the Philippines under the *Revised Corporation Code of the Philippines*

and the *Foreign Investments Act of 1991*, together with its registration number. It shall also disclose, where applicable, the regulatory authority or authorities supervising the issuer in its home jurisdiction, and, in the case of a guaranteed issue, the regulatory authority supervising the guarantor;

4.4.1.2. Details of the structured warrants, including the issue size; whether the issue is fully collateralized or non-collateralized; the type of warrant (e.g., call or put); the exercise style (e.g., American or European); the underlying financial instrument(s); the settlement method (cash or physical); and the exchange on which listing is sought.

4.4.1.3. If the offering is made by way of a base prospectus supported by term sheet(s), the following statement must be included: *“This Base Prospectus is published to provide information on the Issuer, the Guarantor (if applicable), and the Structured Warrants. The specific terms relating to each series of the Structured Warrants will be set out in the term sheet(s) to be issued for the relevant Structured Warrants, which will be supplemental to, and should be read in conjunction with this Base Prospectus.”*

4.4.1.4. *“Investors are warned that the price of the underlying financial instruments and the structured warrants may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective investors should therefore make sure they understand the terms and conditions of the structured warrants offered, the risks involved, and where necessary, seek professional advice before investing.”*

4.4.1.5. In the case of a guaranteed issue, a statement that the obligations of the issuer are unconditionally and irrevocably guaranteed by the guarantor.

4.4.1.6. In the case of non-collateralized structured warrants, a disclosure that the structured warrants constitute direct, unsecured, and unsubordinated contractual obligations of the issuer and/or guarantor (where applicable) and of no other person. Thus, investors are relying on the creditworthiness of the issuer and/or guarantor and have no recourse against the underlying corporation.

4.4.1.7. *“The Philippine Securities and Exchange Commission is not liable for any non-disclosure on the part of the issuer and takes no responsibility for the contents of this prospectus and makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or part of the contents of this prospectus. Investors should rely on their own evaluation to assess the merits and risks of the investment.”*

4.4.1.8. The following statement in bold:

“YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS/TERM SHEET(S). IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. THERE ARE CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER. TURN TO PAGE [XX] OF THIS BASE PROSPECTUS FOR “RISK FACTORS”.

4.4.1.9. The date of the prospectus.

4.4.1.10. The following statement in bold face 12-point type, prominently displayed:

“THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE

REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION."

4.4.2. The inside front cover and the first two (2) or more pages of the prospectus and the term sheet(s), as applicable, shall contain the following:

4.4.2.1. *"The directors of the issuer and the guarantor (where applicable) have seen and approved this prospectus. The directors of the issuer and the guarantor (where applicable) collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this prospectus false or misleading."*

4.4.2.2. If applicable, "[Name of principal adviser], being the adviser, acknowledges that based on all available information and to the best of its knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the offer."

4.4.2.3. *"A copy of this prospectus has been registered with the Philippine Securities and Exchange Commission. However, its registration should not be taken to indicate that the Commission recommends the structured warrants offering or assumes responsibility for the correctness of any statement or opinion or report expressed or disclosed in this prospectus."*

4.4.2.4. A statement in bold letters to the effect that:

"THIS PROSPECTUS MAY BE VIEWED OR DOWNLOADED FROM THE WEBSITE OF THE SECURITIES AND EXCHANGE COMMISSION (www.sec.gov.ph) AND FROM THE ISSUER'S WEBSITE AT [_____]."

Provided, That where the offering is made by way of a base prospectus supplemented by term sheet(s), each term sheet shall instead contain the following statement:

"BEFORE YOU INVEST, YOU MAY WANT TO REVIEW THE BASE PROSPECTUS, WHICH CONTAINS MORE INFORMATION ABOUT THE STRUCTURED WARRANTS AND THE RISKS INVOLVED. YOU CAN FIND THE BASE PROSPECTUS AND OTHER INFORMATION ABOUT THE STRUCTURED WARRANTS ONLINE AT [_____]. YOU CAN ALSO OBTAIN THIS INFORMATION AT NO COST BY CALLING [_____] OR BY SENDING AN EMAIL REQUEST TO [_____]."

4.4.2.5. Table of Contents.

4.4.2.6. A glossary defining all technical terms and abbreviations used in the prospectus.

4.4.2.7. A directory of all parties involved in the issuance and listing of the structured warrants, including, but not limited to, as applicable, the issuer, its directors and audit committee, the rating agency, custodian, guarantor, market maker, principal adviser, warrant registrar, auditors, and the Exchange on which the structured warrants are listed or are to be listed. The directory shall include the full names, nationalities, principal office addresses, telephone numbers, and official website addresses of such parties.

4.4.2.8. A prospectus summary, which shall include appropriate cross-references to the relevant sections of the prospectus where full details of the matters discussed are set out.

4.4.2.9. Indicative timetable, including the opening and closing dates of the offering, the price determination date, the date of allotment of the structured warrants, and the listing date. Provided, That the prospectus shall disclose the period during which the offering of structured warrants shall remain open after the publication of the prospectus, which period shall be inclusive of the date of issue of the prospectus and shall be for a reasonable duration; shall state whether the board of directors of the issuer reserves the right to amend the timetable; and shall disclose the manner by which the public will be informed of any changes to the timetable.

4.4.3. The prospectus shall include the following information, in addition to those required under the SRC, with respect to the issuer:

4.4.3.1. The issuer's history and business overview.

4.4.3.2. Where applicable, a description on its experience in the issuance and management of any structured warrants and other equity derivatives.

4.4.3.3. Where the issuer is part of a group, disclosure of the group's organizational structure, together with explanatory notes. In the case of a guaranteed issue, the relationship between the issuer and the guarantor shall be disclosed. If the issuer or guarantor is not the ultimate holding company of the group, a statement of such fact must be provided, together with notes describing the structure.

4.4.3.4. Where applicable, a description of the guarantor, including its history and business, its directors and senior management, and its experience in the issuance and management of structured warrants and other equity derivatives.

4.4.3.5. The name and designation of the issuer's directors and key senior management.

4.4.3.6. The required financial statements, including the accompanying notes thereto and the auditor's report thereon, in accordance with these Rules and the SRC:

- (i) in the case of a non-collateralized structured warrants issue, the audited annual financial statements of the issuer for the past three (3) fiscal years;
- (ii) in the case of a guaranteed structured warrants issue, the audited annual financial statements of the guarantor for the past three (3) fiscal years; and
- (iii) in the case of a fully-collateralized structured warrants issue, the audited annual financial statements of the issuer for the most recent fiscal year.

4.4.3.7. In the case of a non-collateralized structured warrants issue, the credit rating of the issuer and/or guarantor (where applicable), including the name of the rating agency that assigned the rating, the credit rating assigned, the date on which the credit rating was assigned or last reaffirmed, and a brief explanation of the rating scale and the definitions of the credit ratings used by such credit rating agency.

4.4.3.8. In the case of a non-collateralized structured warrants issue, a description of the internal risk management and hedging strategies of the issuer, including the roles of the management and relevant departments with respect to its risk management. In the case of fully-collateralized structured warrants, details of the security arrangements and the identity of the custodian of the underlying financial instrument.

4.4.3.9. The regulatory authority or authorities supervising the issuer and the guarantor, where applicable.

4.4.3.10. A statement that the issuer and the guarantor (where applicable) shall promptly disclose any material adverse change affecting their financial condition, credit standing, or legal status between the date of registration and the completion of the offer period.

4.4.3.11. A statement as to whether there has been any material adverse change in the financial or trading position of the issuer and, where applicable, the guarantor, since the end of the period covered by the latest audited financial statements, or a negative statement to that effect where no such change has occurred.

4.4.3.12. Particulars of any litigation, arbitration, claims, or proceedings of material importance pending or threatened against the issuer or any member of its group, and, where applicable, the guarantor, which may materially affect the ability of the issuer to meet its obligations under the structured warrants. Where the issuer is a Licensed Broker-Dealer or Licensed Investment House, only such matters that are outside the ordinary course of business and meet the materiality threshold herein shall be disclosed. Where there are no such matters, a negative statement to that effect shall be included.

4.4.3.13. A statement that the issuer and, where applicable, the guarantor undertakes to publish their audited annual financial statements and any interim or quarterly financial statements on their website and the website of the Exchange for so long as the structured warrants remain listed.

4.4.3.14. Where the issuance is non-collateralized and the issuer does not possess an investment grade credit rating, disclosure of the salient terms of the guarantee arrangement.

4.4.4. The prospectus shall disclose the risks involved in purchasing the structured warrants, which shall be presented in a manner such that risks with the highest potential impact are clearly and prominently disclosed at the beginning of each relevant section. The disclosure shall include, at a minimum, the following:

4.4.4.1. Risks relating to the issuer;

4.4.4.2. Risks relating to the structured warrants, including general investment risks, volatility risk, liquidity risk (including circumstances where no market making is undertaken), leverage risk, currency risk, credit risk, and other material risks that may affect an investor's ability to make an informed investment decision, as well as the factors affecting the price of the structured warrants;

4.4.4.3. Risks relating to the underlying financial instrument(s);

4.4.4.4. Risks associated with market disruption and settlement disruption events in relation to the underlying financial instrument(s);

4.4.4.5. Risks associated with events affecting the structured warrants, including but not limited to adjustments arising from rights issues or bonus issues of the underlying financial instrument (where applicable), and insolvency, litigation, or merger events affecting the underlying corporation;

4.4.4.6. Risks associated with any termination of the structured warrants by the issuer;

4.4.4.7. Potential tax implications for prospective investors, including, where applicable, any duties or taxes payable upon exercise, expiry, or maturity of the structured warrants;

4.4.4.8. In the case of a non-collateralized structured warrants issue, a statement that investors are exposed to the credit risk of the issuer, together with disclosure of the issuer's credit rating, if any; and

4.4.4.9. In the case of a guaranteed structured warrants issue, a statement that investors are exposed to the credit risk of the guarantor, together with disclosure of the guarantor's credit rating, if any.

4.4.5. The prospectus shall set out in detail the terms and conditions of the structured warrants, including, but not limited to, the following:

4.4.5.1. The issue size, issue price, and the nature and title of the structured warrants;

4.4.5.2. A full description of the structured warrants, including whether such warrants are based on a single underlying financial instrument or a basket of underlying financial instruments, the exercise style (American or European), the underlying financial instruments, the settlement method, and, where applicable, the weighting of each underlying financial instrument in a basket;

4.4.5.3. Whether the structured warrants will be physically settled or cash settled. If cash settled, the method or formula for calculating the cash settlement amount.

4.4.5.4. A summary of the key terms of the structured warrants, including the type (call or put), issue price, exercise price, exercise period, expiry date, implied volatility, gearing, effective gearing, and premium.

4.4.5.5. The purpose of the offer of the structured warrants.

4.4.5.6. The exercise expenses or the applicable fees and charges for the exercise of the structured warrants.

4.4.5.7. A description of all applicable exercise rights, including:

- (i) Automatic exercise at the expiry of the exercise period of the structured warrants.
- (ii) For cash-settled structured warrants, a clear statement on whether automatic exercise applies upon expiry or maturity, the method for calculating the settlement amount, and the period within which the issuer shall deliver the cash settlement amount.
- (iii) For physical settlement, the delivery of an exercise notice and payment of the exercise price, and the period in which the issuer may deliver the underlying asset to the holder following a valid exercise.
- (iv) The maximum number of underlying financial instruments which the issuer is obliged to transfer upon exercise of the structured warrants.
- (v) The period during which the structured warrants may be exercised and the date on which the structured warrants expire.
- (vi) In the case of automatic exercise upon expiry of the structured warrants, a statement that an issuer shall not be required to publish

a notice in respect of structured warrants expiring or maturing on their normal expiry or maturity date if the terms and conditions of such structured warrants provide for net cash settlement on an automatic basis (i.e., without the holder serving an exercise notice); and

- (vii) In the event of settlement failure or default by the issuer, a description of the available investor remedies, including regulatory recourse, escalation procedures, and any reserve or recovery mechanisms in place.

4.4.5.8. Where a market maker is appointed, the prospectus shall disclose:

- (i) the identity of the market maker;
- (ii) the nature of the relationship between the issuer and the market maker, including whether the market maker acts as agent of the issuer;
- (iii) a statement that liquidity will be provided on a continuous basis throughout the trading day, in accordance with the market making rules of the Exchange;
- (iv) the circumstances under which liquidity may not be provided, in accordance with the market making rules of the Exchange;
- (v) such other information relating to market making as may be required under these Rules and the applicable rules of the Exchange.

4.4.5.9. The rights of holders of structured warrants in the event of a take-over, liquidation, merger, dissolution, or winding-up of the issuer, or a scheme of arrangement involving the shareholders of the issuer, and the ranking of the investors vis-à-vis other creditors in the event of an issuer default.

4.4.5.10. The terms of the issue shall provide for adjustments to the exercise price and/or entitlements in the event of any declaration by the underlying corporation(s) of any potential adjustment event, such as a capitalization issue, rights issue, distribution, or the like relating to the underlying financial instrument.

4.4.5.11. All arrangements, agreements, or understandings (direct or indirect) in place at the date of issue between the issuer, any member of the issuer's group, and any substantial shareholder of the company whose assets underlie the structured warrants; and

4.4.5.12. An illustration of the best- and worst-case scenarios with respect to an investment in structured warrants. The scenario analysis shall include the potential gains or losses arising from such investment.

4.4.6. The prospectus shall include the following information in respect of each underlying corporation:

4.4.6.1. An indication of where investors may obtain information on the underlying corporation(s), including its published audited consolidated financial statements and interim financial statements.

4.4.6.2. The date of, and arrangements for, adjusting the amount payable upon exercise of the structured warrants or the entitlement due upon exercise (where applicable), to take account of any rights issue, bonus issue, consolidation, or other alteration to the share capital of the underlying corporation or any of the

underlying corporations comprising a basket of underlying financial instruments.

4.4.6.3. The rights, if any, of holders of structured warrants to participate in any distribution and/or offers of further securities made by the underlying corporation or any of the underlying corporations comprising a basket of underlying financial instruments.

4.4.6.4. The rights, if any, of holders of structured warrants in the event of a take-over, liquidation, merger, or winding up of the underlying corporation or any of the underlying corporations comprising a basket of underlying financial instruments.

4.4.6.5. In relation to structured warrants that provide for physical settlement of the underlying financial instrument, a statement of the period within which the issuer shall deliver, or cause to be delivered, the underlying securities to the warrant holder, including by crediting such securities to the holder's securities account, following a valid exercise or upon expiry or maturity, in accordance with the applicable rules of the Exchange and the relevant depository.

4.4.6.6. Where the underlying financial instrument is quoted on an exchange outside the Philippines, an indication of the foreign exchange on which such underlying financial instrument is listed and quoted, and where market prices and other relevant information on such underlying financial instrument may be obtained.

4.4.6.7. Where the underlying financial instrument is an index, provide the following information:

- (i) a description of the index;
- (ii) a description of the constituent stocks (if applicable);
- (iii) the identity of the index provider
- (iv) a description of the method of calculation;
- (v) the arrangements for calculation if the index is not published by the normal party;
- (vi) the historic highs or lows for the last five years; and
- (vii) the closing spot level at the latest most practicable date.

4.4.6.8. Where the underlying financial instrument is a basket, the prospectus must disclose the relevant weightings of each underlying instrument in the basket.

4.4.6.9. Any other information necessary to enable an investor to make an informed assessment of the value of the structured warrants.

4.5. The information disclosed in the prospectus shall be as of the latest practicable date prior to its issuance.

4.5.1. The issuer shall ensure that the prospectus remains accurate and complete in all material respects and shall disclose any material change arising after the issuance of the prospectus that would:

- (i) materially affect the rights or obligations of warrant holders; or
- (ii) materially affect an investor's ability to make an informed investment decision.

4.5.2. Such disclosure shall be made by way of a supplementary prospectus where the change is material to the terms of the structured warrants or the information contained

in the prospectus, or by way of an issuer announcement, where appropriate, *Provided*, That such announcement is made promptly and in accordance with the applicable disclosure requirements of the Commission and the Exchange on which the structured warrants are to be listed.

4.5.3. Where disclosure is initially made by way of an issuer announcement, the issuer shall issue a supplementary prospectus, where required, to ensure that the prospectus remains accurate and complete.

4.6. A prospectus in relation to the issuance of structured warrants may be issued:

(A) in a single document, wherein such document shall contain all information required under the SRC and these Rules; or

(B) by way of a base prospectus supported by term sheet (s), wherein—

- (i) the base prospectus shall contain information relating to the issuer and the general features and risks of the structured warrants, including those required under Sections 4.4.3, 4.4.4, and relevant provisions of Section 4.4.5.;
- (ii) the term sheet(s) shall contain information relating to the specific issuance, including those required under Sections 4.4.5.1 and 4.4.6, as well as a summary of the final terms, pricing, exercise and settlement details, the underlying financial instrument(s), and other relevant disclosures;
- (iii) the allocation of disclosures between the base prospectus and the term sheet(s) shall not result in the omission of any information required under the SRC and these Rules, and the issuer shall ensure that the disclosure, taken as a whole, is complete and not misleading;
- (iv) where the issuer elects this option, the filing of succeeding term sheets with the Commission may be signed by an officer duly authorized by the Board of Directors;
- (v) each term sheet shall be submitted to the Commission not later than five (5) business days prior to the intended offering date, unless otherwise allowed by the Commission, and shall include, at a minimum, the information required under these Rules.

4.7. The issuer shall ensure that the following documents are made available on its website and, where applicable, the website of the Exchange, for so long as the structured warrants remain listed:

- (i) The latest prospectus and any supplementary prospectus or term sheet(s);
- (ii) the latest audited and interim financial statements; and
- (iii) any expert reports referred to in the prospectus.

4.8. Nothing herein shall preclude the Commission from requiring such other information as it may deem necessary in the public interest or for the protection of investors.

Section 5. LISTING OF THE STRUCTURED WARRANTS ON AN EXCHANGE

5.1. The listing and trading of structured warrants on an Exchange shall comply with these Rules and, in addition thereto, be subject to the listing and trading rules of such Exchange, as approved by the Commission.

5.2. No Exchange shall accept or approve the listing of structured warrants unless such securities have been duly registered in accordance with the SRC and these Rules.

Section 6. PRICING FOR STRUCTURED WARRANTS

6.1. The minimum issue price of a structured warrant shall be in accordance with the rules prescribed by the Exchange, as approved by the Commission.

6.2. The issuer shall specify in the prospectus the maximum spread between bid and offer prices, in accordance with the rules of the Exchange, as approved by the Commission.

Section 7. MARKET MAKING OF THE STRUCTURED WARRANTS

7.1. An issuer shall comply with the following requirements and disclose such in the prospectus:

7.1.1. Disclose whether it intends to comply with the spread requirement upon initial listing or to provide liquidity through market making, or both;

7.1.2. Where the issuer appoints a market maker for its issue of structured warrants, it shall disclose the identity of the appointed market maker and explain the relationship between the issuer and the market maker;

7.1.3. Where the issuer intends to provide liquidity through market making, it shall appoint only one (1) market maker;

7.1.4. Where the market maker ceases to perform its obligations, the issuer shall appoint a replacement market maker and announce such appointment at least two (2) weeks prior to the cessation of the existing market maker's obligations;

7.1.5. Where the issuer provides liquidity through market making, disclose the circumstances under which the market maker may not be able to, and shall not be obliged to, provide liquidity;

7.1.6. Disclose the minimum quantity of structured warrants for which liquidity will be provided;

7.1.7. Disclose the maximum spread between the bid and offer prices when liquidity is provided;

7.1.8. Disclose the daily market presence of the market maker;

7.1.9. Disclose whether the issuer has any intention to undertake a further issue of the structured warrants;

7.1.10. The market-making parameters referred to in this Section shall be in accordance with the requirements prescribed by the Exchange, as approved by the Commission.

7.2. An issuer may undertake a further issue of structured warrants for the purpose of facilitating market making, subject to the rules of the Exchange, and to the following conditions:

7.2.1. The terms and conditions of the further issue shall be identical to those of the existing issue, except with respect to issue size and tenure; and

7.2.2. The issuer and its appointed market maker, as applicable, shall not hold, in aggregate, more than fifty percent (50%) of the existing issue as at the date of launch of the further issue.

7.3. The issuer shall ensure that its appointed market maker complies at all times with the market-making obligations prescribed by the Exchange and these Rules, including in relation to any further issue undertaken pursuant to Section 7.2.

Section 8. INVESTOR EDUCATION AND MARKET CONDUCT OBLIGATIONS

8.1. In addition to the obligations of the issuer under Section 3.2.3 of these Rules on investor education, trading participants dealing in, or executing transactions in structured warrants for the account of their customers, shall undertake investor education on structured warrants, in accordance with the SEC FCPA IRR.

8.2. Trading participants shall establish and maintain continuous educational programs for investors and prospective warrant holders.

8.3. Such programs and materials shall clearly and adequately explain:

- (a) the nature and characteristics of structured warrants;
- (b) the inherent risks associated with investing in structured warrants;
- (c) the key features and mechanisms of structured warrants; and
- (d) the mechanics of market making in structured warrants, including how liquidity is provided and the limitations thereof.

8.4. Educational materials shall be presented in a clear, balanced, and non-misleading manner, shall use plain language, and shall not emphasize potential returns without a corresponding disclosure of risks.

Section 9. EXPIRATION OF THE STRUCTURED WARRANTS

9.1. The expiry date of a structured warrant shall not exceed three (3) years from the date of issue, or such longer period as may be allowed by the Commission.

9.2. An issuer shall, not less than ten (10) business days prior to the expiry date or expected delisting date, notify the Commission in writing and publish, through its website and that of the Exchange, a notice containing the following information:

- 9.2.1. the expiry date, last trading date, and the date of withdrawal from listing of the structured warrants;
- 9.2.2. the exercise price;
- 9.2.3. the expected date of payment or delivery for those expiring in-the-money, subject to the prescribed settlement timeline of the Exchange;
- 9.2.4. the calculation method of the cash payment, if applicable;
- 9.2.5. the most recent closing price of the underlying financial instrument;
- 9.2.6. treatment of the structured warrants which are not exercised; and
- 9.2.7. such other information as the Commission may require.

9.3. An issuer shall not be required to publish a notice in respect of its structured warrants expiring on its normal expiry date if the terms and conditions in respect of that structured warrant provide for net cash settlement on an automatic basis.

Section 10. WITHDRAWAL OF LISTING OF THE STRUCTURED WARRANTS IN AN EXCHANGE

10.1. An issuer may apply to withdraw the listing of structured warrants prior to their expiry or maturity; *Provided*, That such structured warrants are held entirely by the issuer or its appointed market maker, and no warrants are held by the public at the time of the application.

10.2. Where structured warrants have been fully exercised prior to expiry or maturity, the issuer shall notify the Commission and the Exchange as soon as practicable to facilitate the delisting of such structured warrants.

Section 11. TRADING HALT OR SUSPENSION OF TRADING OF THE STRUCTURED WARRANTS

11.1. Where the underlying financial instruments of the structured warrants listed on the Exchange are halted or suspended from trading for whatever reason on the market on which they are listed or dealt in, trading on the Exchange of the structured warrants relating to such financial instruments shall also be automatically halted or suspended.

11.2. Baskets which have one or more of their underlying financial instruments suspended from trading in the market or exchanges on which such suspended financial instruments are listed and the value or aggregate value of such suspended financial instrument(s) represents thirty percent (30%) or more of the total value of all financial instruments comprised in the basket, or such other percentage as announced by the Commission from time to time shall also be automatically suspended from trading on the Exchange. The value of the suspended financial instrument(s) shall be determined by reference to the price of such financial instrument(s) immediately prior to their suspension on the market or exchanges in which they are listed.

11.3. Where the underlying corporation or the underlying financial instrument is listed on a securities exchange outside the Philippines, the issuer shall immediately request for a suspension, resumption in trading or withdrawal of listing, as the case may be if:

- (a) the underlying corporation or issuer of the underlying financial instrument announces that it has requested a suspension, resumption in trading or withdrawal of listing on the exchange; or
- (b) the suspension, resumption in trading or withdrawal is imposed by the relevant exchange.

11.4. The Commission may, upon evaluation, allow resumption of trading in structured warrants linked to baskets where the suspended financial instrument represents less than ten percent (10%) of the total basket value, provided adequate disclosures and risk mitigation measures are in place.

Section 12. APPOINTMENT OF WARRANT REGISTRAR

Where the structured warrants are issued in registered form and represented by certificates or other documents of title, the issuer shall appoint a warrant registrar, which may be its authorized transfer agent, to maintain an accurate register of holders of the structured warrants and to record all transfers thereof.

Section 13. REPORTING AND COMPLIANCE OBLIGATIONS OF THE ISSUER

13.1. The issuer shall file with the Commission the following:

- (i) Periodic and current reports and records required under the SRC;
- (ii) A quarterly compliance report summarizing market-making activities, structured warrant positions, and compliance with the risk management and disclosure obligations prescribed under these Rules, to be submitted within forty-five (45) calendar days after the end of the quarter; and
- (iii) Such other reports and records as may be required by the Commission from time to time.

13.2. The board of directors and/or senior management of the issuer shall ensure the accuracy, completeness, and timely submission of all required reports.

13.3. The issuer shall notify the Commission in writing within five (5) business days from the occurrence of any event resulting in its failure to meet the eligibility criteria and requirements prescribed under these Rules.

13.4. The Commission reserves the authority to conduct a formal review or investigation of the issuer at any time to ensure compliance with these Rules and other applicable laws, rules, and regulations.

13.5. In the event of any breach or non-compliance with the eligibility criteria or requirements under these Rules, the suspension or cessation of an issuer's eligibility shall not relieve the issuer of any obligations arising from structured warrants previously issued and remaining outstanding.

13.6. The issuer shall maintain and make available for inspection by the Commission's representatives all relevant documents and registry books, either physical or electronic, for a period of at least five (5) years from the date of the Issuer's submission of final documents.

13.7. The issuer shall retain the records that relate to an on-going investigation beyond this period until the Commission declares the case closed and terminated. The Commission may require the Issuer to furnish it with copies of records mentioned in the preceding sections or to file reports based on the same records.

Section 14. ADMINISTRATIVE SANCTIONS

If the Commission finds that there is a violation of any provision of this Rule or any applicable rules under the SRC, or that any person, in a registration statement or its supporting papers and the prospectus, as well as in the periodic reports required to be filed with the Commission has made any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or refuses to permit any lawful examination into its corporate affairs, the Commission shall, in its discretion impose additional sanctions provided by law aside from those established by existing regulations.

Section 15. EFFECTIVITY

These rules shall take effect fifteen (15) days after the date of last publication in two (2) newspapers of general circulation in the Philippines.

Done this _____ in Makati City, Philippines.

For the Commission:

FRANCISCO ED. LIM
Chairperson