NOTICE

Subject: **TERM LIMIT OF BROKER DIRECTORS OF AN EXCHANGE**

The public is advised that the Commission En Banc, in its meeting held on 03 March 2026 resolved to expose the draft Memorandum Circular on the *Term Limit of Broker Directors of an Exchange.*

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 **19 March 2026** through email at ipsd_msrd@sec.gov.ph with our proposed subject of **"COMMENTS ON THE PROPOSED RULES ON THE TERM LIMIT OF BROKER DIRECTORS OF AN EXCHANGE.**"

Issued on 04 March 2026 in Makati City, Philippines.

Securities and Exchange Commission PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. _____
Series of 2026

TO : **ALL CONCERNED**

SUBJECT : **TERM LIMIT OF BROKER DIRECTORS OF AN EXCHANGE**

WHEREAS, Section 5 (b) of the Securities Regulation Code (SRC) provides that the Commission has the power to formulate policies and recommendations on issues concerning the capital markets;

WHEREAS, Section 179 (d) of the Revised Corporation Code (RCC) provides that the Commission has the power and authority to promote corporate governance and the protection of minority investors through, among others, the issuance of rules and regulations consistent with international best practices;

WHEREAS, the *Objectives and Principles of Securities Regulation*[1] of the International Organization of Securities Commissions (IOSCO) acknowledge that one of the objectives of securities regulation is the protection of investors;

WHEREAS, under the *Objectives and Principles of Securities Regulation*[2] of the IOSCO, a Self-Regulatory Organization (SRO) such as an Exchange should be required to assure a fair representation of members in selection of its directors and administrators of its affairs;

WHEREAS, IOSCO principles[3] note that the length of board members' terms of office would be relevant in assessing shareholders' ability to participate actively in the nomination and election of board members;

WHEREAS, Section 33.2(g) of the SRC and Rules 33.2.4 and 33.2(c).1.2 of the Implementing Rules and Regulations of the SRC (SRC-IRR) authorize the Commission to permit an Exchange or an Exchange controller to use a different governance structure in the interest of the public;

WHEREAS, Section 26 of the RCC provides that the Commission may impose qualifications or disqualifications of directors in its promotion of good corporate governance;

WHEREAS, in order to develop our capital markets, there is need to ensure fair and effective representation in an Exchange and give qualified brokers opportunities to serve and provide new perspectives in the board of an Exchange; and

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[1] May 2003.
[2] May 2003.
[3] Board Independence of Listed Companies, IOSCO, March 2007.

WHEREAS, there are existing term limits for independent directors and directors representing other market participants in an Exchange.

NOW, THEREFORE, the Commission hereby promulgates the following:

SECTION 1. COVERAGE – These Guidelines shall apply to Broker Directors elected to the Board of an Exchange.

SECTION 2. DEFINITION OF TERMS – When used in this Circular, the following terms are defined as follows:

2.1. **Broker Director –** a person elected as a member of the board of directors or equivalent body of an Exchange who represents the brokerage firms/trading participants that have been authorized to operate as brokers or broker-dealers and trading participants of the Exchange.

2.2. **Exchange –** is an organized marketplace or facility that brings together buyers and sellers and executes trades of securities and/or commodities, duly authorized to operate as such by the Securities and Exchange Commission.

SECTION 3. TERM LIMIT AND COOLING-OFF PERIOD– A Broker Director may be elected for a term of one (1) year, subject to a **maximum cumulative period of ten (10) years,** whether consecutive or intermittent, in the same Exchange**.**

After serving a cumulative term of five (5) years, whether consecutive or intermittent, the Broker Director shall observe a **two (2) year cooling-off period** prior to being eligible for re-election as a Broker Director; provided, that any Broker Director elected as such after the effectivity of this Circular is not covered by the cooling-off period

3.1. The five (5) -year term and ten (10) -year maximum period shall be reckoned up the date of the next Annual Stockholders' Meeting following the fifth (5^{th}) or tenth (10^{th}) cumulative annual election, or such other meeting date as may be approved by the Commission, whichever is applicable.

3.2. Service for a fraction of a year exceeding six (6) months shall be considered as one (1) full year for purposes of computing the five (5) -year term and ten (10) -year maximum cumulative service under this Circular.

SECTION 4. RE-ELECTION – Subject to the ten (10) -year maximum cumulative period, re-elected Broker Directors shall be allowed to serve a fresh term of up to five (5) cumulative years following the cooling-off period stated under Section 3 of this Circular.

SECTION 5. CONTINUING QUALIFICATIONS – It shall be the obligation of an Exchange to ensure that its Broker Directors, at all times, possess all the qualifications and none of the disqualifications under this Circular and other relevant rules and regulations.

SECTION 6. PENALTIES – Covered Exchanges that breach the maximum cumulative term limit shall be subject to a basic penalty of One Million Pesos (PHP 1,000,000.00) per Broker Director, per year, and a continuing penalty of Thirty Thousand Pesos (PHP 30,000.00) for every month that such Broker Director holds the seat, without prejudice to other sanctions under existing laws and regulations.

A third or succeeding offense(s) for the same violation shall be subject to suspension or revocation of the Exchange's secondary or primary license.

Any scheme designed to circumvent the provisions of this Circular shall be penalized accordingly.

SECTION 7. REPEALING CLAUSE – All other rules and regulations, including those approved by the Commission, or parts thereof, inconsistent with this Circular are hereby repealed, amended or modified accordingly.

SECTION 8. TRANSITORY PROVISION FOR INCUMBENT BROKER DIRECTORS – Incumbent Broker Directors at the time of the effectivity of this Circular, regardless of their cumulative years of service as such, shall be allowed to complete their current term.

Thereafter, Sections 3 and 4 of this Circular, as the case may be, shall immediately apply.

SECTION 9. EFFECTIVITY – This Circular shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) newspapers of national circulation in the Philippines.

Issued this ____ day of March 2026 in Makati City, Philippines.

For the Commission:

FRANCISCO ED. LIM
Chairperson