



# MEMO FOR BROKERS

No. 225-2003

**P h i l i p p i n e S t o c k E x c h a n g e , I n c .**

<input type="checkbox"/> Disclosures	<input type="checkbox"/> Stockholders' Meeting	Others: _____
<input type="checkbox"/> Dividend Notice	<input type="checkbox"/> SEC / Gov't. Issuance	_____
<input type="checkbox"/> Stock Rights Notice	<input type="checkbox"/> Transfer Agent's Notice	_____

Date : **August 28, 2003**  
 Subject : **POLICY ON ELECTRONIC RELEASE OF SEC FORMS AND LIST OF STOCKHOLDERS and REVISIONS TO THE RULE ON ADDITIONAL LISTING OF SHARES**

Please be informed that the Securities and Exchange Commission, in its letter to the Exchange dated August 13, 2003 approved the ***Policy on Electronic Release of SEC Forms and List of Stockholders*** and the ***Revisions to the Rule on Additional Listing of Shares***. Attached is a copy of the Policy and the Revised Rule for your reference. A copy of the Policy and the Revised Rule is likewise posted on the website of the Exchange at [www.pse.com.ph](http://www.pse.com.ph). The Policy and the Revised Rule shall take effect on **Friday, September 12, 2003**.

For your information and guidance.

***(Original Signed)***  
**JOSE G. CERVANTES**  
***Senior Vice President***

Finance / Admin / Membership Tel. No. 634-5112	Compliance & Surveillance Grp. Tel. No. 634-6903	Listings & Disclosure Grp. Tel. No. 636-0122	COO / Automated Trading Grp. Tel. No. 633-1311	Business Dev't Group Tel. No. 634-5089	CEO / Legal Tel. No. 637-8805
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## **POLICY ON ELECTRONIC RELEASE OF SEC FORMS AND LIST OF STOCKHOLDERS**

1. The Exchange shall reduce the number of copies required from listed companies of their SEC Forms 17-A and 17-Q from two hundred (200) to one hundred (100) for the remaining SEC Forms to be submitted for the year 2003. Amendments to these SEC Forms shall be submitted in two (2) printed copies.

The printed copies shall be distributed to Trading Participants who intend to receive hard copies of the reports, as signified in their response to the survey sent out by the Exchange on July 4, 2003. Responses to the survey received by the Exchange after the deadline set on July 14, 2003 were not considered, as previously stated in the memo attached to the survey form. Hard copies of amendments to these SEC Forms shall be available at the PSE Libraries.

2. In the year 2004, the Exchange shall no longer distribute hard copies of SEC Forms 17-A and 17-Q to its Trading Participants. Listed companies shall be required to submit ten (10) original copies of the Annual Report (Form 17-A) and Quarterly Report (SEC Form 17-Q) and any amendments thereto on or before the specified due dates. The PSE Tektite and PSE Ayala Libraries shall maintain original copies of the said reports.
3. Listed companies are required to submit two (2) original copies of the following reports and any amendments thereto which shall be stored in the PSE Tektite and PSE Ayala Libraries:
  - (a) Notice of Inability to Timely File All or any required Portion of an SEC Form 17-A or SEC Form 17-Q using SEC Form 17-L;
  - (b) Tender Offer Report using SEC Form 19-1 (to be filed by purchasers of listed securities);
  - (c) Information Statement using SEC Form 20-IS;
  - (d) List of Top One Hundred Stockholders
4. Together with the reports as specified in Item numbers 1,2 and 3, listed companies are also required to submit the following:
  - (a) Soft copies of the SEC Forms and List of Stockholders in diskettes or compact disks in Acrobat pdf format; and a

- (b) Sworn Corporate Secretary's Certification that the information contained in the hard copy of the SEC Forms and/or List of Stockholders, and that contained in the disk are one and the same.
5. The Disclosure Department shall coordinate with the Automated Trading Group in making sure that the SEC Forms and List of shareholders of each listed company are uploaded to the Exchange's on-line systems not later than the following trading day after receipt of the same. The Exchange shall not ensure the veracity of the information contained in the uploaded reports. As such, the following disclaimer shall be stated in each webpage which shows these uploaded reports in the on-line systems:

***“The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party. Copies of these reports are available for viewing and photocopying at the PSE libraries at PSE Center in Ortigas and PSE Plaza in Ayala during its official operating hours.”***

6. The uploaded SEC Forms and List of Stockholders shall be available in the on-line system under “Listed Companies” until such time that a new or amended report is submitted and uploaded.
7. The public may also access the information at the libraries of the Exchange in Tektite and in Ayala during operating hours of each library. Should they need copies of the SEC Forms and/or List of Stockholders, they may have them photocopied at the PSE copying room for a fee.

**EFFECTIVITY:** This policy takes effect within fifteen days after dissemination and shall remain in effect until the Rules on the On-line Disclosure System are implemented.

## REVISED RULE ON ADDITIONAL LISTING OF SHARES

### EXISTING RULE ON ADDITIONAL LISTING OF SHARES

**As of May 11, 2000**

"When there is likely to be a significant demand for shares from existing shareholders, the Exchange shall not permit the listing of shares subscribed through private placement, debt-to-equity conversion, share-for-share or property-for-share swap, or similar transactions, unless a rights or public offering for said shares is first undertaken. As a general rule, the Exchange will consider that there is likely to be a significant demand for shares from existing shareholders if the price for the new shares will be at a discount higher than ten percent (10%) of the market price or at book value, whichever is higher. As used in this Rule, "market price" shall mean the average closing price for thirty (30) trading days prior to the transaction.

Private placements, debt-to-equity conversions, share-for-share or property-for-share swaps and similar transactions, where the above rule is deemed not to apply, will be considered by the Exchange for listing, subject to the following additional conditions:

1. The terms of the transaction must have been submitted to and cleared by the Exchange before the same were made effective.
2. Controlling shareholders and related parties may not subscribe to the shares if the aggregate percentage of the issued and outstanding capital stock held by them with respect to the issuer's market capitalization is as follows;

Percentage of Shares Held	Market Capitalization
More than 67%	Not exceeding P400,000,000
More than 75%	P400,000,001 to P1,000,000,000
More than 80%	P1,000,000,001 to P5,000,000,000
More than 85%	P5,000,000,001 to P10,000,000,000
More than 90%	P10,000,000,001 or more

3. In addition to existing documentary requirements, the issuer shall be required to identify the beneficial owners of the shares subscribed."

**REVISED RULE ON ADDITIONAL LISTING OF SHARES****ARTICLE \_\_  
ADDITIONAL LISTING OF SECURITIES**

**Section 1. Rule on Additional Listing of Shares** - The Rule shall apply to transactions resulting into issuance by a listed company ("Issuer") of new voting shares to any party or to any persons acting in concert ("Subscriber/s") amounting to **at least ten percent (10%) but not more than thirty-five percent (35%)** of the total issued and outstanding capital stock of the Issuer through a single or creeping transactions within a period of twelve (12) months from the initial disclosure. Such transactions may include private placements, share swaps, property-for-share swaps, or conversion of securities into equity.

As a general rule, the Exchange shall not permit the listing of shares subscribed by related parties unless a rights or public offering is first undertaken.

For purposes of this Rule, RELATED PARTIES shall mean affiliates of the listed Issuer accounted for by the equity method of accounting; trusts for the benefit of employees such as pension and profit sharing plans that are managed by or under the trusteeship of the management; directors, major shareholders or principal owners of the listed issuer; and its management; members of the immediate families of major shareholders, principal owners and management of the listed issuer.

**Section 2. Pre-filing Conference** - Issuers may request for a pre-filing conference with the Exchange to ascertain whether such Rule is applicable to its transaction/s. The Exchange shall thereafter issue a written confirmation as to the applicability or non-applicability of the Rule.

**Section 3. Trading Halt** - The trading of the shares of the Issuer shall be halted for one (1) hour upon announcement or disclosure of any information leading to the transaction/s. Another one (1) hour trading halt shall be implemented upon dissemination of the Comprehensive Corporate Disclosure required herewith.

**Section 4. Comprehensive Corporate Disclosure** – The Issuer shall submit within five (5) trading days from initial disclosure the details of the transaction including but not limited to the following:

- a) Copies of all agreements duly executed that are relevant to the transaction;
- b) Description of the proposed transaction including the timetable for implementation, and related regulatory requirements;
- c) Rationale for the transaction including the benefits which are expected to be accrued to the listed issuer as a result of the transaction;
- d) The aggregate value of the consideration, explaining how this is to be satisfied, including the terms of any arrangements for payment on a deferred basis;
- e) The basis upon which the consideration or the issue value was determined;
- f) Detailed work program of the application of proceeds, the corresponding timetable of disbursements and status of each project included in the work program. For debt retirement application, state which projects were financed by debt being retired, the project cost, amount of project financed by debt and financing sources for the remaining cost of the project;
- g) Identity of the beneficial owner/s of the shares subscribed. (for Corporations: date of incorporation and nature of business, major projects and investments, capital structure, audited financial statements for the last three (3) fiscal years, list of subsidiaries and affiliates, board of directors and principal officers; for individuals: list of shareholdings in other companies with the issuer, list of companies where the individual is an officer or a director, and relationships with the existing directors and stockholders of all parties to the transaction);
- h) For Subscribers with no track record or with no operating history: the Subscriber must present a statement of active business pursuits and objectives which details the steps undertaken and proposed to be undertaken by the Issuer in order to advance its business. Projected

financial statements shall only be required should there be references made in the Statement to forecasts or targets.

- i) Identities of controlling and substantial stockholders of the parties to the transaction, accompanied by a structural chart depicting the structure of the Subscriber and the Issuer and the interests of such stockholders, both before and after the implementation of the proposed transaction;
- j) The interest which directors of the parties to the transaction have in the proposed transaction; and
- k) Statement as to the steps to be taken, if any, to safeguard the interests of any independent shareholders.

**Section 5. Stockholders' Approval** - The Issuer must submit a sworn Corporate Secretary's Certification confirming the following:

- a) That the stockholders in a regular or special meeting approved the transaction.
- b) For related party transactions, in addition to the stockholders approval of the transaction, the Issuer must submit a sworn Corporate Secretary's Certification confirming that a waiver of the requirement to conduct a rights or public offering of the shares subscribed has been granted by a majority vote representing the outstanding shares held by the minority stockholders present or represented in the meeting.

The foregoing sworn Corporate Secretary's Certifications required must be supported by a report on the tabulations of the votes of the stockholders indicating the number of shares and percentage to the total outstanding shares represented by the majority and minority stockholders in the meeting either in person or by proxy.

In addition to items required under the Disclosure on Stockholders' Meeting, Section 7, Article XX of the Listings & Disclosure Rules, the notice of the meeting shall include:

- 1) The number of voting shares to be issued to the Subscriber/s;

- 2) A copy of the Comprehensive Corporate Disclosure on the details of the transaction; and

The said notice must be published in the business sections of any two (2) newspapers of general circulation.

**Section 6. Rights or Public Offering Requirement** – Issuers who failed to obtain an approval from the stockholders as required under Section 5(b) hereof, must first file within sixty (60) calendar days, unless extended by the Issuer, an application for a rights or public offering, to be offered to all minority stockholders at an offer price equal to the agreed transaction price and at an offer ratio that would maintain the latter’s ownership in the Issuer prior to the implementation of the transaction. All major stockholders and directors shall abstain from exercising their rights to the offer.

The Subscriber in the transaction must take-up all the shares left unsubscribed during the offer, provided that such shares to be taken-up shall only amount up to the number of shares subscribed in the transaction and such subscriptions must be fully paid.

Upon completion of the rights or public offering, the Exchange shall proceed with the listing of the shares issued to the Subscriber.

**Section 7. Lock-up of Subscribed Shares by Related Parties**– For related party transactions whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the Subscriber must enter into an agreement with the Exchange not to sell, assign, or in any manner dispose of their shares for a minimum period of one hundred eighty (180) days after the listing of the shares subscribed in the transaction.

**Section 8. Compliance with the Suitability Criteria and Continuing Listing Requirements** – Prior to the approval of listing application, the Issuer must comply with the Suitability Criteria and Continuing Listing Requirements under Section 3, Article III and XVIII, respectively, of the Listings and Disclosure Rules.

**Section 9. Exceptions to the Rule** - The Exchange shall grant an exception to the rights or public offering requirement in the following cases:

- a) The transaction price for the shares subscribed is set at a premium over the prevailing market price. Market price shall mean the weighted average of the closing prices for a period of 30 trading days prior to the transaction;<sup>1</sup>
- b) The requirement for a rights or public offer is waived by a majority vote, representing the outstanding shares held by the minority stockholders present or represented in a special meeting of the transaction.
- c) Issuers undergoing rehabilitation and bankruptcy shall be exempted from the application of the Rule without prejudice to the provisions of the Delisting Rules.

**Section 10. Applicability** – In addition to the foregoing, all applications for additional listing of securities shall also be considered under prevailing circumstances at the time of filing of the application.

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<sup>1</sup> In the absence of trading activity of the shares for the last 30-trading day period, the Exchange shall compute for the average of up to thirty (30) closing prices for a maximum period of six (6) months prior to the transaction.