

SEC MEMORANDUM CIRCULAR NO. 17
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) acknowledges 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 principles³ 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 Rule 33.2(c).1.2 of the Implementing Rules and Regulations of the SRC (SRC-IRR) provide that the Commission may by rule or regulation, permit an Exchange or an Exchange Controller to use a different governance structure in the interest of the public and that such Exchange or Exchange Controller can effectively operate as an SRO;

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

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 **one (1) year cooling-off period** prior to being eligible for re-election as a Broker Director.

- 3.1.** The five (5) -year term and ten (10) -year maximum period shall be reckoned up to the date of the next Annual Stockholders' Meeting following the fifth (5th) or tenth (10th) 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 that circumvents 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. SEPARABILITY - If any part or provision of this Circular is declared invalid or unconstitutional, the other parts or provisions not otherwise affected shall remain in full force and effect.

SECTION 9. TRANSITORY PROVISION FOR INCUMBENT BROKER DIRECTORS – Incumbent Broker Directors who would have been otherwise disqualified or required to undergo cooling-off by reason of their cumulative years of service as such, at the time of the effectivity of this Circular, shall be allowed to complete their current term and be eligible for nomination and election as a Broker Director in the two (2) succeeding annual elections; *Provided*, that such period may be shortened by the Commission, through an appropriate issuance, for good cause and/or under specific conditions.

Thereafter, Sections 3 and 4 of this Circular, as applicable, shall apply.

During the two (2) -year transition period, the Exchange for the equities market shall undertake the phased reconstitution of its Board to promote broader representation and diversity of experience, including the election of two foreign independent directors with international market expertise, broker directors representing foreign brokerage firms, and directors with investment banking or capital markets experience, taking into account the importance of good governance and minority shareholder protection.

SECTION 10. 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 21st day of May 2026.

For the Commission:


FRANCISCO ED. LIM
Chairperson