



# MEMORANDUM

**The Philippine Stock Exchange, Inc.**

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| <input type="checkbox"/> Trading Rules            | <input type="checkbox"/> Computer Systems Update |
| <input type="checkbox"/> Membership Rules         | <input type="checkbox"/> Administrative Matters  |
| <input checked="" type="checkbox"/> Listing Rules | <input type="checkbox"/> Others:                 |

**TO :** THE INVESTING PUBLIC

**SUBJECT :** FOR PUBLIC COMMENTS: PROPOSED RULES FOR LISTING IN THE MAIN AND SME BOARDS OF PSE

**DATE :** September 14, 2012

In light of the comments received from the public, the Exchange revised its earlier proposal to create a new board that will replace the Second and SME Boards of the PSE, as announced in Memorandum CN – No. 2012-0040. In lieu of creating a board replacing the Second and SME Boards, the Exchange is proposing the consolidation of the First and Second Boards into a new listing board called the Main Board and the retention of the SME Board, with enhancements to the listing criteria. This new proposal is aligned with the two-listing board structure in other exchanges. It also aims to provide a clearer classification of listed stocks that will help investors evaluate companies belonging to these listing boards.

The Exchange is inviting all concerned parties to give their comments to the following proposed rules which shall govern listings in the Main Board and the SME Board and supersede Article III, Parts D (First Board), E (Second Board) and F (SME Board) of the 2004 Revised Listing Rules:

**ARTICLE III  
EQUITY SECURITIES**

**PART D  
MAIN BOARD LISTING**

**SECTION 1. General Criteria for Admission to Listing-** A company applying for listing in the Main Board (“Applicant Company”) must comply with the following requirements:

- (a) **Track Record of Profitable Operations** – Applicant Company must have a cumulative consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA), excluding non-recurring items, of at least ₱50 Million for three (3) full fiscal years immediately preceding the application for listing. The applicant must further be engaged in materially the same businesses and must have a proven track record of management throughout the last three (3) years prior to the filing of the application.

For this purpose, the applicant company shall submit to the Exchange audited consolidated Financial Statements for the last three (3) full fiscal years preceding the filing of the application. The Financial Statements must be accompanied by an unqualified external auditor’s opinion.

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Controllership/Admin	Market Operations/Technology	Issuer Regulation	Investor Relations	Capital Markets & Development	CEO / OGC
Tel. No. 688-7561/7447	Tel. No. 819-4430/688-7480	Tel. No. 688-7510	Tel. No. 688-7601/819-4400	Tel. No. 688-7590	Tel. No. 688-7401/7411/7413



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(b) Exception to the 3-year Track Record Requirement – The following are the exceptions to the three (3) year track record rule:

(i) The Applicant Company has been operating for at least ten (10) years prior to the filing of the application and has a cumulative pre-tax profit of at least ₱50 Million for at least two (2) of the three (3) fiscal years immediately preceding the filing of the listing application.

(ii) The Applicant Company is a newly formed holding company which uses the operational track record of its subsidiary. This exception, however, shall be subject to the restriction in Section 3 hereof.

(c) **Positive Stockholders' Equity** – Applicant Company must have a positive stockholders' equity in the fiscal year immediately preceding the filing of the listing application.

(d) **Market Capitalization** - At listing, the market capitalization of the Applicant Company must be at least ₱500 Million.

(e) **Operating History** – Applicant Company must have an operating history of at least three (3) years prior to its application for listing.

(f) **Minimum Capital Requirement** - Applicant Company must have a minimum authorized capital stock of ₱500 Million, of which a minimum of Twenty-five percent (25%) must be subscribed and fully paid.

(g) **Minimum Offering to the Public** - The minimum offering to the public for initial listing shall be based on the following schedule:

### MARKET CAPITALIZATION

Not exceeding ₱500 M  
 Over ₱500M to ₱1B  
 Over ₱1B to ₱5B  
 Over ₱5B to ₱10B  
 Over ₱10B

### PUBLIC OFFER

33% or ₱50M whichever is higher  
 25% or ₱100M whichever is higher  
 20% of ₱250M whichever is higher  
 15% or ₱750M whichever is higher  
 10% or ₱1B whichever is higher

(h) **Minimum Number of Stockholders** – Upon listing, the Applicant Company shall have at least One Thousand (1,000) stockholders, each owning stocks equivalent to at least one (1) board lot.

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- (i) **Full Payment of Issued and Outstanding Shares** – The Applicant Company shall cause all its subscribed shares of the same type and class applied for listing to be paid in full.
- (j) **Investor Relation Program** – Applicant Company shall have an investor relation program to ensure that information affecting the company are communicated effectively to investors. Such program shall include, at the minimum, a corporate website that contains, among others, information about the company's operations, financials, plans, and investor services.

### SECTION 2. Lock-Up –

(a) An applicant company shall cause its existing stockholders who own an equivalent of at least 10% of the issued and outstanding shares of stock of the company to enter into an agreement with an Escrow Agent not to sell, assign or in any manner dispose of their shares for a period of:

- (i) Three hundred sixty-five (365) days after the listing of said shares (i) if the Applicant Company has a paid-up capital of less than ₱250 Million; or (ii) if the Applicant Company is exempt from the track record and/or operating history requirements of these Rules.
- (ii) One hundred eighty (180) days after listing of said shares if the company has a paid-up capital of ₱250 Million or more.

If there is any issuance or transfer of shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within One-hundred-eighty (180) days prior to the start of the offering period, or, prior to listing date in case of companies listing by way of introduction, and the transaction price is lower than that of the offer price in the Initial Public Offering, or listing price for a listing by way of introduction, all shares availed of shall be subject to a lock-up period of at least Three-hundred-sixty-five (365) days from full payment of the aforesaid shares.

(b) The foregoing lock-up requirement will not apply to a company that transfers to the Main Board if the lock-up period set out above, whichever is applicable, has been observed while listed in the SME Board. Otherwise, the difference between the applicable lock-up period and the actual lock-up of shares shall be observed.

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### SECTION 3. Restrictions –

- (a) No divestment of shares in operating subsidiary - A newly formed holding company which invokes the operational track record of its subsidiary to qualify for the track record requirement under Section 1(a) hereof, is prohibited from divesting its shareholdings in the said subsidiary for a period of three (3) years from the listing of its securities. The prohibition shall not apply if a divestment plan is approved by majority of the applicant company's stockholders.
- (b) No secondary offering for companies that are exempt from the track record and/or operating history requirements – Companies that are exempt from the track record and/or operating history requirements, such as mining, petroleum and renewable energy companies, are prohibited from offering secondary securities during the Initial Public Offering. For purposes of this rule, secondary securities shall mean securities originally held by the existing shareholders prior to IPO.

**SECTION 4. Full Disclosure Policy.** The company shall submit the following disclosures within the periods specified below to ensure transparency in the use of proceeds raised from the IPO:

- (a) Quarterly Progress Report on the application of the proceeds from the IPO on or before the first fifteen (15) days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- (b) Annual summary of the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company's Chief Officer or Treasurer and external auditor;
- (c) Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least thirty (30) days prior to the said actual disbursement or implementation.
- (d) A comprehensive report on the progress of its Business Plan on or before the first fifteen (15) days of the following quarter.

The quarterly and annual reports required in items (a) and (b) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program or IPO Prospectus, if any. The detailed explanation must state the approval of the Company's Board of Directors as required in item (c) above.

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The Exchange may require disclosure of additional information as it considers appropriate and material in any particular case.

If during the application, the applicant company fails to make a timely and accurate disclosure of material information or deliberately misrepresents material facts to the Exchange, the Exchange may consider said actions as evidence of the applicant company's refusal to comply with the full disclosure policy of the Exchange and on that basis, reject the application.

### ARTICLE III EQUITY SECURITIES

#### PART E Small, Medium and Emerging (SME) BOARD LISTING

**SECTION 1. General Criteria for Admission to Listing** - A company applying for listing in the SME Board ("Applicant Company") must comply with the following requirements:

- (a) **Minimum Capital Requirement** – Applicant Company must have an authorized capital stock of One Hundred Million Pesos (₱100,000,000.00) or more, of which a minimum of twenty-five percent (25%) must be subscribed and fully paid.
- (b) **Track Record of Profitable Operations** – Applicant company must have a cumulative earnings before interests, taxes, depreciation, and amortization (EBITDA), excluding non-recurring items, of at least ₱15 Million for the three (3) fiscal years immediately preceding the application for listing; provided that a positive EBITDA was generated in at least two (2) of the last three (3) fiscal years, including the fiscal year immediately preceding the filing of the application. The applicant must further be engaged in materially the same business and must have a proven track record of management throughout the last three (3) years prior to the filing of the application.

For this purpose, the Applicant Company shall submit to the Exchange audited consolidated Financial Statements for the last three (3) full fiscal years preceding the filing of the application. The Financial Statements must be accompanied by an unqualified external auditor's opinion.

- (c) **Positive Stockholders' Equity** – Applicant Company must have a positive stockholders' equity in the fiscal year immediately preceding the filing of the listing application.

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- (d) **Operating History-** Applicant Company must have an operating history of at least three (3) years prior to its application for listing.
- (e) **Full Payment of Issued and Outstanding Shares** – The Applicant Company shall cause all its subscribed shares of the same type and class applied for listing to be paid in full.
- (f) **Business Plan** – The Applicant Company shall demonstrate its stable financial condition and prospects for continuing growth. For purposes of determining prospects for continuing growth, the Applicant Company shall submit a business plan indicating the steps that have been taken and to be undertaken in order to advance its business over a period of five (5) years.

As a general rule, financial projections are not required, but should there be references made in the business plan to future profits or losses, or any other item that would be construed to indicate forecasts, then the Applicant Company is required to include financial projections in the business plan duly reviewed by an independent accounting firm.

- (g) **Valuation of Assets** – When required by the Exchange, the Applicant Company shall engage the services of an independent appraiser duly accredited by the Exchange and the Commission in determining the value of their assets.
- (h) **Minimum Offering to the Public** – The minimum offering to the public shall be based on the schedule set forth in Part D, Section 1(g), Article III of these Rules.
- (i) **Minimum Number of Stockholders** – Upon listing, the Applicant Company shall have at least five hundred (500) stockholders. Each of these stockholders must hold at least one (1) board lot of the securities of the company.
- (j) **Investor Relation Program** – Applicant Company shall have an investor relation program to ensure that information affecting the company are communicated effectively to investors. Such program shall include, at the minimum, a corporate website that contains, among others, information about the company's operations, financials, plans, and investor services.

**SECTION 2. Lock Up** – The Applicant Company shall cause all its existing stockholders to enter into an agreement with an Escrow Agent not to sell, assign, encumber or in any manner dispose of their shares for a period of two (2) years after the listing of such shares.

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If there is any issuance or transfer of shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within six (6) months prior to the start of the offering period, or, prior to listing date in case of companies listing by way of introduction, and the transaction price is lower than that of the offer price in the Initial Public Offering, or listing price for listing by way of introduction, all shares subscribed or acquired shall be subject to a lock-up period of at least one (1) year from listing of the aforesaid shares.

**SECTION 3. Restrictions** – Companies applying for listing in the SME Board are subject to the following restrictions:

- (a) **No listing of holding, portfolio and passive income companies** - The Exchange shall not allow the listing of any holding, portfolio and passive income company. For purposes of this Rule, holding, portfolio and passive income company shall mean a company that confines its activities to owning stocks in, and supervising management of other companies and whose source of income are mainly dividends, equitized earnings, and interest earnings from its investments.
- (b) **No change in primary purpose** - The applicant company shall not be allowed to change its primary purpose stated in its Articles of Incorporation for as long as it is listed in the SME Board. The Exchange reserves the right to delist listed companies whose objective(s) and purpose(s) as stated in its Articles of Incorporation submitted to the Exchange have been amended within the specified period.
- (c) **No Offering of Secondary Securities** - The Applicant Company is prohibited from offering secondary securities during the Initial Public Offering. For purposes of this rule, secondary securities shall mean securities originally held by the existing shareholders prior to IPO.

**SECTION 4. Transfer to the Main Board** - A listed company initially listed on the SME Board may, upon written request to the Exchange, be elevated for listing in the Main Board upon a showing that it has met the requirements for listing in the Main Board.

**SECTION 5. Full Disclosure Policy** –

- (a) The applicant company shall promptly submit a comprehensive corporate disclosure to the Exchange in the following instances:

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- (i) Sale of the company's assets other than in the ordinary course of business.

The comprehensive corporate disclosure shall contain, among others, the names of the parties to the transaction, the purpose for which it was entered into, and the potential effect on the operations of the company;

- (ii) Imposition of fines and/or other penalties on the company or its subsidiaries by regulatory authorities and the reasons therefor;

- (b) The company shall submit the following disclosures within the periods specified below to ensure transparency in the use of proceeds raised from the IPO:

- (i) Quarterly Progress Report on the application of the proceeds from the IPO on or before the first fifteen (15) days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;

- (ii) Annual summary of the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company's Chief Officer or Treasurer and external auditor;

- (iii) Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least thirty (30) days prior to the said actual disbursement or implementation.

- (iv) A comprehensive report on the progress of its Business Plan on or before the first fifteen (15) days of the following quarter.

The quarterly and annual reports required in items (i) and (ii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program or IPO Prospectus, if any. The detailed explanation must state the approval of the Company's Board of Directors as required in item (iii) above.

The Exchange may require disclosure of additional information as it considers appropriate and material in any particular case.

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If during the application, the applicant company fails to make a timely and accurate disclosure of material information or deliberately misrepresents material facts to the Exchange, the Exchange may consider said actions as evidence of the applicant company's refusal to comply with the full disclosure policy of the Exchange and on that basis, reject the application.

**SECTION 6. Automatic Delisting** – The Exchange shall impose automatic delisting on a company that incurs negative stockholders' equity for three (3) consecutive years.

**SECTION 7. Applicability of Other Provisions** – The applicant company must comply with published rules and requirements which the Exchange may deem applicable.

Please send your comments to Atty. Veronica Vicedo at [vvicedo@pse.com.ph](mailto:vvicedo@pse.com.ph) on or before **October 2, 2012**.

**ROEL A. REFRAN**  
Chief Operating Officer

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