

Capital Market Development Plan (Blueprint)

Progress Report

(As of January 31, 2008)

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
Chapter I – Recommendations Requiring Primary Support from the Philippine National Government					
Objective No. 1 – Broad consensus of support exists within the government and the private sector to implement the strategic initiatives identified in the Blueprint over the 6 years designated for completion.					
1.1 Government will support the Blueprint's policy objectives as part of the national economic agenda.	1.1.1. Blueprint targets and objectives to be included in Medium Term Development Plan	2004		Included in Philippine Medium Term Development Plan (MTDP) 2004-2010	NEDA
	1.1.2. Blueprint to be endorsed by DOF	Sep-06		DOF endorsement 1 Sept 2006	DOF
1.2 Monitoring progress on the Blueprint's implementation	1.2.1. SEC to establish committee to monitor blueprint implementation	Sep-06		SEC Office Order 299 Series of 2006 issued	SEC
	1.2.2. Committee to publicly disclose every four (4) months Blueprint achievements as well as implementation issues that may arise.	First public progress report in January 2007 (and every four months thereafter)		Reports are submitted every four months since January 2007	SEC
Objective No. 2–A macroeconomic environment that encourages more personal savings and the direction of those savings into suitable private sector investments via the capital market infrastructure. The accumulated savings should be directed to enterprises that need long-term capital at reasonable cost to grow, create jobs and know-how, and thus contribute to national economic growth. Institutions within the NBFS can play a vital role in consolidating and allocating savings to promising enterprises via the capital markets.					
2.1 Government will foster sound macroeconomic policy environment conducive to growth.	2.1.1 Government to achieve and maintain a balanced fiscal position and adopt and implement related policies to lower interest rates in order to produce a more favorable climate for entrepreneurs to obtain long-term capital at a reasonable cost via public offerings in the domestic capital market.	Ongoing			DOF

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	2.1.2. Government to support policies to increase the national savings rate and facilitate financial intermediation	Ongoing			DOF
2.2 NEDA to monitor effectiveness of the capital market sector in contributing to national economic development	2.2. NEDA to calculate the amount of capital that needs to be raised to sustain national growth targets for the next six to twelve years	Capital market to contribute to the increase in Savings/GDP to 30% by 2010 to support an increase in investment ratio to 28% of GDP	NEDA to calculate this amount on an annual basis		NEDA
Objective No. 3--To the maximum possible extent, tax laws will be neutral to avoid distorting the competitive balance between competing financial products/services and their respective providers. Tax laws, to the extent practicable and feasible, will also encourage long-term savings through personal pension accounts, and thus contribute to a broader and deeper pool of investment capital.					
3.1 Comprehensive tax reform to rationalize incentives for the financial sector	3.1. CMDC to undertake policy paper that will review the financial structure (i.e., withholding tax of long term investments, 5 percent premium on life insurance/ annuities DST on insurance and annuities) and determine appropriate measures to remove tax distortions (e.g., non-uniform tax treatment) among competitive financial products and/or financial services as well as their respective providers.	2006		Study prepared and circulated to DOF and other key stakeholders April 2006	CMDC
3.2 Promote development of private pension fund accounts	3.2.1. Support the passage of legislation to promote the development of personal pension accounts - a voluntary savings mechanism on top of the mandatory savings for SSS and GSIS - to improve the country's savings rate and boost investments in equity products.	Ongoing until legislation adopted Target for legislation to be enacted by 2010		4 bills have been filed in Congress for the PERA. SEC continues to provide technical assistance to Congress whenever required to expedite approval of the bills.	DOF SEC, BIR, CMDC

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	3.2.2. Construct a matrix of all potential savings products that are potentially eligible for a personal equity retirement accounts and identify taxes imposed on each taxable event involving the product, e.g., origination by the provider, purchase and resale by the saver, and the distribution of various payouts (dividends, interest, termination payments, returns of capital, etc.) over the life of each product	2008	Resource constraints		SEC, BIR, CMDC
	3.2.3. Develop and implement an information campaign to attract OFWs' participation/availment in personal equity retirement accounts.	2010	Depends on passage of legislation	The SEC met with the head of OWWA on February 26, 2007. The OWWA is receptive to the idea of SEC briefing the OFWs on the different products registered with it (similar to briefing conducted by BSP prior to the departures of OFWs). The SEC operating departments are to develop a training module to implement this. A MOA with OWWA is being drafted for this purpose.	SEC, OWWA

Chapter 2 – Objectives Requiring Primary Support from the Private Sector Market Institutions and Related Operators of the Capital Market's Infrastructure

Objective No. 4—The Philippine capital market will provide an efficient and sustainable forum for domestic companies to raise long-term capital at a reasonable and competitive cost via public offerings of equity and debt instruments. The securities offered will be listed locally and possibly abroad.

I. Bolster growth of the equities market

4.1. Exchange competitiveness needs to be enhanced.	4.1.1. Extend trading hours (at least for a subset of listed securities); provide for an auction section in the afternoon, after completion of the day's continuous trading section	2007	Will be done upon acquisition of new trading system	The PSE approved the acquisition of new surveillance and trading systems. The PSE is currently conducting a study on extending its trading hours. A survey is also being conducted among market players on the said initiative	PSE
	4.1.2. Review public float requirements (amount, enforcement, including impact on minority shareholders);	Study – 2007			PSE, SEC

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	4.1.3. Review other options to increase public float - effecting forward splits with split shares to be sold in the secondary market, - large shareholders to be encouraged to conduct secondary offerings, -issuance of warrants or other convertible securities	2007		PSE revised rules that provide that only issuers with a public float of at least 10% shall be included in the PSE index (2006) PSE has proposed a rule that requires listed companies to disclose their public float – SEC reviewing (2006)	
	4.1.4. Rationalize the size of the minimum “board lot” in selected securities.	Study 2006		PSE currently reviewing Board size	PSE, SEC
	- examine the most thinly trading issues (regardless of unit price) to determine if a small board lot will facilitate trading of shares comprising the issuer’s current public float.	Implementation 2007			
	4.1.5. Experiment with a quasi-market maker function; trading members (usually underwriters) to act as a sponsor and assist eligible companies through the initial listing process.	Mid-2007	To be included in the study referred to under 4.1.2 above.		SEC, PSE
	4.1.6. Modify short-selling restrictions - amend SRC Rule 24.2-2 to encourage entry of short sale orders that contribute to market liquidity.	2007			SEC
	4.1.7. Rules and educational materials to be developed to address risks involved in day trading and explain how the process works, and the right of the broker to liquidate customer positions for insufficient margin	2008	Resource constraint	SEC approved the Revised PSE Rule on Short Selling on October 5, 2007.	SEC, PSE

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4.2. a. Enhance listing on the exchange	4.2.1. Encourage new listings of securities <ul style="list-style-type: none"> - PSE to develop marketing strategy to target top 1,000 corporations to list - conduct roundtable discussions with CEOs of targeted companies from associations industry groupings - listing of mandated BOI registered companies/DOE attached agencies -list at least two BOI-registered companies to list in 2007; -closely monitor compliance of 85 identified BOI reg companies from 2005-2010. 	2006-2010	DTI and DOF reviewing whether to merge BOI into PEZA as well as remove BOI tax incentives	<p>PSE adopted a Leap a Mile Program which stands for Listing campaign, Education for investors and operational efficiency, Adherence to integrity and good corporate governance, Product diversity, Active Marketing, Investor haven of choice, Liquidity and Enhanced earnings for all.</p> <p>The PSE discussed with BOI officers to encourage BOI-registered companies to offer to the public and list their shares at PSE.</p> <p>As of January 2008, there had been four PEZA/BOI companies listed on the PSE. Two other companies have been approved for listing but have deferred the commencement of their offering.</p>	PSE
	4.2.2. PSE to review and revise its value proposition to the issuer community and underwriters.	2007		<p>PSE is developing a marketing kit.</p> <p>PSE submitted the revised rules on listing by way of introduction but SEC disapproved it. PSE is currently drafting amendments to the rules to address SEC's concerns.</p>	PSE
	- marketing unit should be able to supply reliable information on the costs/processes associated with taking a company public, satisfying ongoing disclosure obligations, and maintaining a listing.				
	- compile case studies illustrating success stories of local companies, e.g., family-owned companies listed on the PSE years ago that have grown and prospered notwithstanding the diminution of the founding family's control following a major public offering.				

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4.2.b Expand range of traded products	4.2.3-. Develop new products that can be introduced on the exchange such as exchange traded funds, stock index-based derivatives (options and futures), single stock options and futures, units of real-estate investment trusts, and limited partnership units;	2006-2007		Real Estate Investment Trust (REIT) targeted to be introduced in 2009. A position paper on REIT was submitted by PSE to both Senate and Congress. Senate REIT Technical Working Group is currently reviewing draft bill for revisions and improvements.	PSE
	4.3.4 Strengthen the Business Development Department to enforce plans of newly created Task Force handling new products			PSE has enhanced capacity of business development unit. 2006	
	4.2.5. SEC to allow for <i>listing by way of introduction</i> and proceed to make a public offering later within a prescribed period of time			The PSE is currently reviewing its Rules on Listing by Way of Introduction taking into consideration global best practices.	SEC
	- PSE to submit proposed amendments for SEC approval	Rule 2008			
	4.2.6 Conduct a feasibility study on the impact of suspending IPO tax, and reducing corporate income tax as a means of encouraging more private companies to go public	Study 2006-2007 Submit to DOF 3Q 2007		In consideration of the country's fiscal condition, the proposal by the PSE on the abolition of IPO tax and abolition or reduction of the STT was temporarily shelved. More importantly, the Exchange is focusing its efforts on the abolition of the documentary stamp tax on secondary trades. The bill has been drafted, and the PSE is exploring options on the proponents for the bill for the Senate and the House.	SEC/PSE
	4.2.7 Provide an electronic marketplace or facility for primary or secondary listing of securities not commonly traded on the exchange (electronic bulletin board)	2007		SEC registered Development Bank of the Philippines as an ATS in 2005.	PSE, ATS, SEC

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4.3 Address conflicts of interest risks arising from Exchange governance concerns	4.3.1. PSE to acquire and install surveillance system either as part of its new trading system or as a stand-alone system to reinforce the PSE's commitment to polish its image and support the critical work of the PSE MRD and MIB for the long term development of the stock market	2007		The Advanced Warning Control System (AWACS) was acquired and the base software has been installed. Further enhancement of the system is being undertaken. User Acceptance Test for the enhanced features of the AWACS ongoing.	PSE
	4.3.2. Strengthen the independence of the Compliance and Surveillance Group (CSG) of the PSE through the implementation of structural reforms;	2005		CSG restructured into the new Market Regulation Division, overseen by an independent Market Integrity Board.	PSE
	4.3.3. Provide full disclosure of disciplinary actions to the local media and PSE website, including the names and sanctions imposed against trading participants and their associated persons	2007		Posted in the PSE website the names of trading participants which have been audited.	PSE
4.4 Support Exchange participation in regional initiatives to promote capital market integration	4.4.1. Market institutions to grow their businesses aggressively to achieve a stronger bargaining position vis-à-vis potential future link-up with other exchanges within the region - develop a strong inventory of listed products that would be attractive to investors across the region	2010		PSE has allocated funds to upgrade trading system and is actively involved in discussion with vendors. SCCP acquired a new clearance and settlement system that provides for greater transparency with regard to payment/verification of funds that have been received.	PSE, SEC, SCCP
	- establish a state-of-the-art technology platform for trading as well as clearance and settlement;				
II. Develop a transparent market system for price discovery and efficient execution of orders for investors wishing to buy and sell government and corporate bonds.					
4.5 Transparent market system for price discovery and efficient execution of orders in the secondary trading of fixed income securities	4.5 Establish a Fixed-Income Exchange capable of providing: - a modern screen-based system for dealers in fixed income securities	Establishment of inter-dealer market		PDEX registered as an exchange with the SEC in March 2005 and inter-dealer market began operations at the same time.	PDS group, SEC

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				<p>SEC approved PDEX' Inter-Professional Rules thereby expanding the PDEX market to include qualified investors as direct trading participants and expanding the list of traded instruments to include private securities.</p> <p>Allowing these "qualified investors" to participate in the PDEX provides the opportunity to view real time the bid and ask quotes of dealers, thus improving the transparency of price discovery process. PDEX submitted to the SEC its proposed rules that shall govern trades with the investing public. These proposed rules, among others, expands the types of PDEX Trading Participants to include brokers who buy and sell securities for the account of others.</p>	
	<p>- settlement mechanism that expands delivery versus payment process</p>	<p>Establishment of qualified professional investor market 2007 Establishment of retail market 2007</p>	<p>DvP now confined to GSEDS registered with BSP and BTR ROSS</p>	<p>PDEX filed expanded DvP rules to cover settlement mechanics involving the inter-professional market and private securities, which are currently under SEC review. SEC approved the expanded DvP rules to cover the settlement mechanics involving the inter-professional market and private securities. In addition to such approval, The SEC also resolved to extent the authority of PDEX to act as a Clearing Agency for the entire Inter-Professional Fixed Income Securities Market. PDEX submitted its proposed rules to the SEC to include the delivery versus payment mode of settlement up to the investing public.</p>	
	<p>- recording of ownership to beneficial owner level; and</p>			<p>PDTC will launch Name on Central Depository Service for equities and fixed income to record ownership at the depository at the beneficial owner level.</p>	

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	- adequate capability to manage and conduct an effective surveillance and compliance unit	2007		<p>PDEX system capable of recording beneficial ownership level as depository (name-on-depository) and as registry. PDEX rules on compliance was approved in 2006. PDEX rules on compliance⁴ approved in 2006.</p>	
				<p>PDEX created the market governance structures envisioned under said rules namely, the Market Governance Board and the market Compliance and Discipline Committee. Both bodies have been operationalized and have been performing their respective mandates since the beginning of 2007. In addition, the compliance and surveillance unit has been organizationally and operationally segregated from PDEX' business units to enhance its independence. Further, its manpower complement has been augmented.</p>	
				<p>PDEX sanction rules have been filed with the SEC and are currently under review.</p>	

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4.6 Bring liquidity to secondary debt market.	4.6.1. Adopt rules governing margin lending, short selling of securities, repurchase and securities lending transactions of debt securities that have been approved by SEC.	2007		<p>The PSE adopted the Rules on Securities Borrowing and Lending for its trading participants, which the SEC approved in November 2006.</p> <p>SEC approved the Program Rules for SBI in PDS. The BIR issued Revenue Regulation No. 05-2007 defining the tax environment thereunder, and the BSP issued a letter stating it has no objection to its regulated entities participating in the program.</p> <p>The PDS is currently engaged in efforts to educate the market on the benefits of participation in the program, and the benefits of the same to the market.</p>	PDS group
				The PDEX adopted the securities lending program for its trading participants which the SEC approved in December 2006	
	4.6.2 PDEX to open a repo market (or board for debt securities to complement the PDEX public market on the funding side and SEC to adopt rules governing entities engaged in securities repurchase transactions	2007		SEC approved the Repo Program Rules of the PDS Group, on the condition that relevant regulators interpose no objection to their regulated entities participating in the program. PDS is currently awaiting the BSP no-objection letter on the matter, but expects the same within the 4th quarter of 2007. PDS Group received from the BSP the no object letter which stated that it interposed no objection to their regulated entities participating in the program.	PDEX, SEC

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	4.6.3. PDEX to develop derivative products targeted to mitigate risks involved in holding or trading fixed income instruments such as, but not limited to, interest rate risk and credit risk.	2007			PDS group, SEC
4.7 SEC will promote investor protection through an SRO	4.7.1. PDEX to be registered as an SRO. 4.7.2. SEC to adopt an SRO framework for oversight of participants in the OTC bond market	2006 2006 (adoption of SRO rules)		SEC registered PDEX as an SRO over inter-dealer market in July 2006. PDEX has applied for an expansion of the SRO registration to include the inter-professional market which application is currently under review. PDEX will be applying to become SRO for the public market upon adoption of the appropriate rules. SEC approved PDEX Sro to cover the Inter-Professional Market. PDEX has applied to the SEC for the expansion of its SRO registration to cover the Public Market.	SEC, PDEX
	- SRO rules to define standards of best execution for OTC dealers to ensure that investors receive fair prices and timely execution of their bond orders.			PDEX submitted proposed rules that trades of the investing public below Php 10 Million shall be entered in the Auto order Board.	
	4.7.3. SEC to mandate a central trade reporting facility to consolidate OTC and exchange transactions for each bond into a single audit trail for regulatory and surveillance purposes.	2006		OTC Rule being reviewed and finalized	SEC
4.8 Enhance creditors' rights	4.8. Government to update and advocate amendments to the insolvency law to provide the levels of creditors' rights that exist in countries hosting a vibrant corporate bond market	Ongoing until legislation adopted		Draft corporate recovery legislation has been filed in Congress	DOF, BSP, SEC
4.9 Promote a more conducive environment for the corporate debt market	4.9.1 Conduct a brief study of the public offering process for corporate debt	[1st Half 2007]			PDEX

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	4.9.2 Offer a cost-effective alternative to financing corporate capital needs and identify where costs could be lowered and where process could be streamlined to be more attractive to potential corporate issuers	2007			PDEX
	4.9.3. Provide issuers with a short "how to do it" publication in order to facilitate public offerings of debt by corporate issuers.	2007		PDEX Listing and Enrollment Rules for Public Market is due for submission to SEC by 4th quarter 2007. Primer on admission of corporate debt issues for trading to be published once Rules have been finalized and approved.	
4.10 Adopt additional measures to stimulate the development of corporate debt market.	4.10.1. Government to streamline registration process for public offerings of corporate debt that should lead to a reduction in origination costs	2008		PDEX submitted to the SEC its proposed Rules on Listing and Enrollment.	SEC
	4.10.2. PDEX to accommodate brokers/investment houses (unaffiliated with a bank) and other participants that meet legal and regulatory requirements to underwrite and/or trade corporate debt instruments.	2006	Currently only banks are participating in PDEX. Goal is to expand participation with respect to retail market.	SEC approved PDEX rules to expand eligible trading participants to include investment houses. Inclusion of brokers will be submitted for approval of the SEC in the 4th quarter of 2007, as part of the public market rules. PDEX submitted to the SEC its proposed rules on the inclusion of brokers as one of its Trading Participants.	PDEX, SEC
4.11 Regional Market Initiatives	4.11. Relevant government agencies and PDEX to study constraints such as taxes, securities regulations, and other laws (e.g. bankruptcy and insolvency) that are impeding the development of a competitive bond market and reach consensus on essential remedial actions to prevent corporate bond business from moving to a more competitive environment elsewhere in the region.	2008	Resource constraint		PDEX, SEC, BSP, DOF

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4.12 Accelerate issuance and secondary trading of asset backed securities	4.12.1 SEC and BIR to formalize implementing rules for above transactions and ensure uniformity of rules and sanctions for both BSP and SEC regulated market participants.	2005		Securitization IRRs issued in 2005	SEC, BIR
	4.12.2. Encourage the immediate securitization of the housing loan portfolios of various government institutions	2008			BSP
	- Develop a transition strategy toward non-distortionary housing support programs, improved mortgage lending, underwriting and servicing standards, and an effective and fast collateral foreclosure regime for mortgage lending.	2008			BSP to coordinate with relevant agencies
	4.12.3 Banks develop tradable instruments secured by allowable assets.	2008			PDEX, BAP
	4.12.4 Special Purpose Trust (SPT)/secondary mortgage institution be established to issue asset-backed securities (ABS)	2008		PDTC will be launching SBL-collateral management, lending pool facility and repurchase services	PDTC
III. Clearing and Settlement					
4.13. Strengthen the payment system of equities, debt instruments, derivatives and other securities products	4.13. Establish infrastructure to seamlessly link market activities from trading, clearing and settlement to post-settlement disposition of equity and debt securities:	2010		The SCCP continues to encourage its Clearing Members to settle their Due Clearing obligations via Real Time Gross Settlement (RTGS).	PDEX, PDTC, PSSC, BTR, SEC, BSP, PSE, SCCP
	- Migrate from checks to electronic payment system;	2008		PDS Settlement Highway interface with PhilPASS will be operational with the launch of the Public	
	- Expand Delivery vs Payment coverage to beneficial owner level and across all instrument types;	2008		PDEX already capable of DvP at beneficial owner level. PDEX eDvP settlement at beneficial owner level is ready for implementation.	

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	- Review whether duplication of infrastructure at the clearing house level (SCCP/PDTC) has any negative affects on the competitiveness of the PDEX and PSE within the region	2009			
	4.13.1 Government to review rules and fees to encourage electronic forms of payment	2007		Review ongoing SCCP is awaiting the launch by the PDTC of its new system – eCS, after which NoCD can already be implemented.	BSP, SEC
	4.13.2 PDEX and PSE to require listed companies to pay cash entitlements (cash dividend, interest, and maturity payment) in electronic form by 9:00AM on the specified payment date.	2007		PDS Group, BAP and BSP have signed the PSH MOA which will pave the way for electronic payments on an RTGS basis.	PDEX, PSE
	4.13.3. PDTC/PASTRANET and SCCP to develop interface requirements to settle PSE trades.	2006		SCCP is awaiting the launch by the PDTC of its new system – eCS, after which NoCD can already be implemented. PASTRA has yet to fully operationalize the Electronic Direct Registry (EDR). The PSE Board, the SCCP Board and the Market Integrity Board (MIB) have approved the endorsement of the use of the Name on Central Depository (NoCD) account structure of the PDTC. Correspondingly, the PDTC conducted briefings to trading participants about the NoCD which shall take effect when the PDTC's new system becomes operational.	PDTC, PASTRANET, SCCP
	4.13.4 PSE to allow broader participation of settlement banks in the settlement of PSE trades.	2007	SCCP has wire transfer facility but currently limited to 2 settlement banks	SCCP negotiating expansion of settlement banks to include foreign banks and other local banks upon expiry of 2 year agreement with RCBC and EPCIB	PSE

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				SCCP has just concluded testing activities with Metrobank which shall be accredited as a Settlement Bank when all the necessary documents have been signed. Moreover, Deutsche Bank is undergoing testing activities to become the 4th accredited settlement bank.	
4.14 Migrate to scripless environment	4.14.1 SEC to advocate for the amendment of the Corporation Code, the Securities Regulation Code and other legislation to mandate the issuance of securities in dematerialized form.	Preparation of draft amendments (2006)	Legislation necessary for Government to mandate full dematerialization.	Draft language to amend law to be reviewed by Commission	SEC
		Draft amendments to be submitted to Congress (2007)	SRC allows issuance of scripless securities. However, under the SRC, the board needs to approve partial dematerialization.[1] Full dematerialization needs to be approved by the Board and ratified by shareholders.		
	4.14.3 A task force to be established to study the pros and cons of implementing a uniform identification system for individual investors, including introduction of investors identification numbers	2007	Need to address investor issue on confidentiality of holdings.	The SEC established a task force composed of its operating departments to make a study on having a uniform identification system for individual investors. One possible identification to be used is the Tax Identification Number (TIN).	SEC, PDEX, PDTC, PASTRA, SCCP
Phase 1 Partial dematerialization	4.14.4. Migration to partial dematerialization of IPOs and future securities issuances	2007		The Exchange required all offer shares subject of IPOs, follow-on offerings and stock rights offering must be duly lodged with the PDTC prior to the scheduled listing date of the offer shares. The option in the application forms to have a stock certificate has been removed. Stockholders who intend to have physical certificates may request for upliftment of the shares after the listing date.	PSE, SEC

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	- PSE to include partial dematerialization as a requirement for all prospective IPOs and future listing of securities and all future stock related corporate actions (stock dividend, stock split, stock right), with an option for investors to subsequently request physical stock certificate, and prescribe a lower listing fee for dematerialized securities.				
	4.14.5. PSE and relevant stakeholders to coordinate with listed companies and other interested stakeholders to undertake publication and information campaigns to educate investors on the advantages of scripless securities over physical certificates.	2007			PSE, PASTRA, SEC, PDEX PDTC
Phase 2 Full Dematerialization	4.14.6. PDEX and PSE to list only dematerialized securities.	2005 (gov't securities) 2007 (corporate debt) 2009 (equities)		PDEX submitted its proposed rules to the SEC incorporating as an admission criteria that securities must be issued in a dematerialized form or in case of certificated securities that are outstanding prior to the effectivity of the proposed rules , must be immobilized with a qualified Securities Depository.	PDEX, PSE, SEC (to approve)
	4.14.7 Rules adopted to implement full dematerialization	2009			SEC
4.15 Enhanced investor protection in dematerialized environment	4.15.1. SEC to amend rules to impose new registration requirements on registrars (transfer agents) servicing demat issues (partial or full). Amendments to include minimum capitalization (RBCA to also apply), independence from issuer and regular operations audit where not independent, connectivity with clearing houses, custodians and depositories	2007		The PSE has endorsed to its trading participants the use of the "name of depository" accounts after being introduced by the Philippine Depository and Trust Corporation (PDTC). Under the SEC Rules on Securities Borrowing and Lending (SBL) programs, only those securities that have been converted or can be converted into dematerialized form can be subject to an SBL transaction.	SEC

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	4.15.2 - SEC to issue regulatory framework for securities custodians	2008	Resource constraints	Agreement signed in Dec. 2005 The installation of the new trading system as well as NoCD of PDTC is a prerequisite for this study.	SEC
	4.15.3 Promote straight through processing				
	- Bureau of Treasury and the PDS Group to sign a memorandum of agreement governing the connectivity requirements of the PDS Group.	2006		PDS Group and the Btr signed a MOA governing the connectivity requirements of the PDS Group last December 2005.	BTr, PDS
	- Study on feasibility of STP for equities to be undertaken	2007		The installation of the new trading system as well as the NoCD of PDTC is prerequisite for this study.	PSE, SCCP
	4.15.4 SEC to prescribe rules governing entities engaged in securities borrowing and lending, including capitalization requirement, risk management capability, warranties to lender-investors, fee allocation between intermediary and lender-investors and other matters to protect both the investor and the intermediary.	2006		SEC adopted securities borrowing and lending rules on June 2006	SEC
	4.15.5 Exchanges to organize securities lending program for debt and equity securities	2006-2007		An amendatory BIR Revenue Regulation was issued by the DOF in February 2008. The PSE is waiting for the BSP resolution regarding BSRD related issue on foreign to local SBL transactions. BSP is currently collating comments from market participants.	PDEX, PSE, BIR

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Objective 5 —A matrix of coordinated business continuity plan (BCP) shall exist to ensure a timely reopening of the major financial sector institutions in aftermath of a catastrophic event. This plan shall be reviewed and updated periodically by the responsible parties					
5. Develop Business continuity Plans.	5.1 Prepare a coordinated disaster recovery plan to ensure uninterrupted operations or the timely reopening of financial sector institutions in the aftermath of a catastrophic event	Formation of an inter-agency task force 2007 Design of disaster recovery plan by 2008		The PSE has put in place its Disaster Recovery Plan (DRP) for the trading system. On the otherhand, BCP is being prepared starting with an awareness program which include attendance to a BCP program as pre-requisite steps in preparing its BCP. SCCP has prepared its BCP. PDEX has prepared BCP The SEC has drafted its own BCP	PSE, PDEX, SEC BSP, PDIC
Chapter 3 – Objectives Requiring Support from the SEC and other Financial Sector Regulators					
Objective No. 6--Certain institutions and categories of competing financial products are subject to supervision by more than one regulator. Concrete steps will be taken to ensure a financial governance structure that achieves optimal coordination among regulators in respect of supervision, regulation, and consumer protection					
6. Promote competitive parity – level the playing field for similar investment products	6.1.1. Government agencies, in consultation with the private sector, to discuss and define principles to guide policy decisions in achieving competitive parity and rationalizing the incentives framework for the financial sector	2010	Follow up to initiative 3.1, 3.2.2		FSF. CMDC
	6.1.2 Support passage of the Revised Investment Company Act (RICA)[2] and Lending Companies Regulation Act (LCRA) to update legislation and eliminate anti-competitive regulations	2007-2010		Congressional committee formed to review Collective Investment Schemes Act	SEC (for RICA) DTI (for LCRA)
	6.1.3 Promote investor protection - Review the adequacy of criminal sanctions relative to perpetrators of pyramid schemes in particular.	2008	Legislation required to address.	The SEC has been closely coordinating with BSP, DTI, NBI, AMLC and other relevant law enforcement agencies.	SEC, DTI

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	-- Establish a regulatory forum that meets periodically to discuss investor/ consumer complaints or questions that identify potential instances of a new financial product being distributed in violation of existing laws, or a product that might not be covered that poses a concern involving consumer fraud.		Clarify whether amendments to laws are need to cover novel products, including services. Resource constraints.	The SEC closely coordinates with DTI through its Consumer Net. SEC departments are working on the refinements of materials on investor protection for publication as Citizen Manuals	SEC, DTI
	- Fashion an appropriate regulatory strategy to deal with novel products, including futures instruments and other derivative products, and related capacity enhancement				SEC, DTI, BSP
6.2 Promote tax parity.	6.2. Reinstate components of the Financial Sector Tax Reform (FSTR) program that were not enacted into law as a priority initiative that will focus on achieving tax parity.	2007-2008	FSTR requires legislation		CMDC, DOF
6.3 Promote harmonization and enhanced collaboration of financial sector regulation.	6.3.1.Enhance effectiveness of Financial Sector Forum (FSF) – to achieve objectives/targets set	2006-2010	Resource constraints.	The SEC is part of the FSF which principally addresses regulatory issues.	FSF, BSP, SEC, IC, PDIC
				The SEC is likewise represented in the Financial Sector Liaison Committee (FSLC) headed by the Executive Director of the AMLC. The Committee is composed of representatives from the different stakeholders in the banking, securities and insurance sectors that meet to tackle AML/CFT matters	
	- -Establish Secretariat		EO may be needed.		
	- Ensure consistency of rules and regulations intended for promoting a level playing field;			BSP and SEC closely coordinating supervision of dually regulated entities (reporting, joint audits), developing and implementing RBCA standards	

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
	- Ensure that overlap/gaps in supervision are minimized; and				
	- Rationalize accreditation requirements of market participants, i.e., broker dealers, branch offices, salesmen, associated persons, investment advisers, financing companies, pre-need companies, and credit rating agencies.				
	- Conduct an on-going review to evaluate the institutional framework of financial sector regulation with the view toward considering an alternative structure that might achieve greater efficiency and effectiveness in regulating the financial sector.				
	6.3.2 Conduct consultation meetings, trainings, symposia, and related activities on a periodic basis, or at least once every quarter to enhance coordination and the level of cooperation among regulators, market participants, and the private sector.	2006-2010	Resource constraints	Participated in regular monthly conferences with representatives of the PSE for a joint deliberation of issues pertaining to pending applications for registration and listing of securities as well as a discussion of specific concerns regarding listed companies which require coordinated action of both the PSE and SEC.	FSF members
				Participated in consultative meetings with PSE regarding Exchange-Traded Funds and Real Estate Investment Trusts.	
				The SEC likewise, arranged, coordinated, conducted and participated in various seminars on accounting standards, equity markets, terrorist financing, money laundering, corporate governance and securities market, among others.	

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
Objective No. 7-- Government will advocate for reinforcement of SEC's enforcement powers to ensure that the agency is not obstructed in carrying out its mission as the primary enforcer of the Philippine securities laws					
7.1 a. Reinforce regulatory SEC powers	7.1. Government to advocate for amendments to the SRC to reinforce SEC's enforcement powers	2007		SEC preparing draft amendments to Section 6.2 of the Securities Regulation Code (SRC) to delete extraordinary diligence standard.	SEC
	7.1.1 Align ethical conduct standards for Philippine SEC with conduct standards employed among financial regulators in other countries. Such alignment includes advocating amendments to the SRC to remove "extraordinary diligence" standard			The SEC departments are actively drafting amendments to the SRC.	
	7.1.2 Expand statutory subpoena power to include bank records of persons and institutions suspected of breaching SRC's anti-fraud and anti-manipulation provisions.[3]	2007	Legislation required.	SEC prepared amendments but still subject for further discussions to improve.	SEC
	7.1.3 Amend SRC to enable SEC to obtain freeze orders in appropriate circumstances.[4]	2007	Legislation required.	SEC preparing amendments to Section of the SRC	SEC
7.1 b. Promote more effective coordination with Legislature	7.1.4- SEC to appoint a legislative liaison officer to coordinate advocacy efforts within SEC and with both Houses of Congress		Resource constraint	Office of General Counsel currently performs coordination role	SEC
	7.1.5 SEC to strengthen economic research function to help SEC draft better bills, position papers and provide SEC, Congress and other policy makers with adequate information and advice		Requires new organizational positions to be created and related capacity enhancement. Resource constraints.	ERID-SEC preparing proposals.	SEC
7.2 Strengthen SEC enforcement actions through more effective coordination with law enforcement authorities	7.2.1. SEC enforcement and its counterpart at the Department of Justice (DOJ) to review all securities-related referrals to identify strengths and weaknesses with respect to the ability to initiate criminal prosecutions, and to develop strategies to address those weaknesses	2008	Resource constraint	DOJ formed a task force on investment scams which focuses on SEC cases.	SEC, DOJ

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
	7.2.2. SEC to work with the Supreme Court and the Philippine Judicial Academy (to assess training needs among presiding judges on financial crimes likely to touch on securities products, including the liabilities attendant to disclosures required for public offerings and prohibitions against fraud and manipulation in secondary trading, and develop and implement related training program.	Training needs assessment –2007 Training Program design 2007 Implementation 2007-2010	Resource constraints	Capacity building activities may not be necessary because decisions of commercial court judges do not show lack of understanding of the laws but more of the inability of the prosecution to provide evidence for a successful prosecution. This initiative is being evaluated whether it is still necessary.	SEC, SC., PhilJA
	7.2.3 SEC and NBI/PNP to begin coordinated surveillance and enforcement activities.			Ongoing since 2001	SEC, NBI (DOJ), and PNP
<p>Objective No. 8—The regime of disclosure-based regulation in the Philippines will continue to be strengthened with appropriate organizations sponsoring training and accreditation programs to ensure an orderly transition to International Accounting Standards (IAS). Additionally, the SEC is spearheading an initiative to implement a risk-based capital adequacy (RBCA) framework for certain providers of financial products/services within the NBFS. Both initiatives are important milestones in terms of bolstering competitiveness through compliance with global standard.</p>					
8.1 Sustain reforms in corporate governance by aligning corporate practices and financial reporting structures with international best practices	8.1.1. Adopt International Accounting Standards and International Standards for Auditing in SEC's rules and regulations	2005		International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) adopted in 2005. There are only two transitional relief allowed on PAS 19 (pension accounting) and PFRS 7 (comparative disclosures) Recent issuances of the IAS Board (IASB) which include interpretations, are continuously being adopted in the rules.	SEC
				Certain modifications were made on the recognition and measurements of pre-need companies due to its hybrid nature. The principles adopted in the framework are however substantially based on IFRS/IAS.	

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
				Coordinated the proposed conduct of public seminar on Updates in Philippine Financial Reporting Standards to be held in Cebu in November 2007	
	8.1.2 SEC to publish a list of accredited external auditors on their website.	2006		SEC began publishing said in 2005 which has been continuously updated every end of the month. As of December 31, 2007, SEC has accredited a total of 636 external auditors and 135 auditing firms.	SEC
	8.1.3. SEC to monitor compliance and identify any regulated entities that are experiencing a problem in making the transition to IAS	2006		The SEC conducts an annual random review of the financial statements of mutual funds, financing companies, listed companies, other secondary licenses and large ordinary corporations, to determine their compliance with the PFRS/IAS and the requirements of SRC Rule 68. Selected listed companies monitored for full compliance with IAS.	
	8.1.4 SEC to assess implementation of IAS 39 (mark to market) with respect to financial statements of mutual funds and the largest 50 financing companies.	2006		All mutual funds and 22 of the largest 50 financing companies assessed.	SEC
	8.1.5 SEC to assess implementation of IFRS for top 100 of ordinary corporations for statements submitted in 2006	2007		This has been done. The review process was conducted in the last quarter of 2006. Notices were sent to companies from January to March 2007.	SEC

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
	8.1.6. SEC to participate in the International Organization of Securities Commission (IOSCO) project on International Financial Reporting Standards to promote greater convergence in the interpretation of such standards by securities market regulators.	2006		<p>SEC has sent letter to IOSCO agreeing to participate (2006)</p> <p>However, up to now, no reply has been received from IOSCO despite the follow-ups made.</p> <p>Starting 2007, a special session in the SEC website has been provided for issues on compliance with the international accounting standards. For a start, the summary findings on the 2005 AFS of selected corporations are now posted.</p>	SEC
				<p>The Philippine Financial Reporting Standards Council (PFRSC), of which the SEC is member, actively participates in the projects of the IASB particularly in the submission of inputs and comments on the exposure drafts of standards and interpretations.</p> <p>In June 2007 the PFRSC conducted an IRFS Forum (A Regional Perspective).</p>	SEC
	8.1.7. SEC to develop a framework for publicly issuing interpretative releases on issues regarding implementation of new financial reporting standards that are raised frequently to ensure consistency in interpretation.	2007		Posted in the SEC website the "Compliance with International Financial Reporting Standards" which contains a discussion of the implementation and transitional issues on the IFRS and a list of Q and A on IFRS implementation, as released by the Philippine Interpretations Committee.	SEC
				The summary findings on the 2005 AFS of selected corporations are now posted on the Commission's website.	

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
8.2 Transition to a risk based approach to supervision	8.2. Adopt and implement the Risk-Based Capital Adequacy (RBCA) framework for providers of financial services/products under SEC regulation/ supervision	Broker-dealers (2004 adopted) RBCA rule extended to other NBFIs 2009/2010	SEC conducting study of IH operations in 2007 to clarify IH activities prior to developing RBCA rule Resource constraints	RBCA rule adopted for Securities Brokers and Dealers in 2004. Fully implemented in 2006. PSE overseeing implementation for member broker dealers In October and November 2007, the Commission conducted a Risk Management Training consisting of three modules for SEC Operating Departments. Likewise, the Commission also conducted a Risk Management Training the Trainers Program in November 20, 2007.	SEC, PSE
Objective No. 9--The SEC and other financial regulators should keep pace with evolving global standards aimed at refining regulatory techniques, synchronizing capital and operational standards for entities operating across national borders, and identifying areas in which harmonization of business conventions and regulations will facilitate cross border financial activities, particularly within the ASEAN region					
9.1 Convergence with International Best Practice Standards	9.1.1. DOF to delegate a lead role to SEC in formulating position papers and policy points related to implementation of the ASEAN roadmap with respect to the process of integrating the region's capital markets (focus on regulatory constraints).	2007		SEC closely coordinating on harmonization initiatives by advising DOF on securities market related issues	DOF, SEC
	9.1.2 SEC to work closely with PSE and PDEX on establishing closer linkages with regional exchanges	2007		PSE recently participated in regional initiatives for cross border linkages. PSE is a member of the FIBV	SEC, PSE
	9.1.3 SEC to submit application to become a signatory to Appendix B of the IOSCO Multilateral Memorandum of Understanding to promote enhanced cooperation with foreign securities regulators in connection with cross border fraud and manipulation.	2006		SEC now a signatory to Appendix B of the IOSCO MMU	SEC

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
Chapter 4 – Objectives Requiring Joint Support from the Financial Regulators and Key Capital Market Institutions					
Objective No. 10—The principal financial regulators and the operators of key institutions within the NBFS should intensify programs to educate citizens on the benefits of savings and long term investment in enterprises that are active in the Philippines. A vital component of such programs is to alert citizens to the “red flags” that indicate “ponzi” or pyramid-type schemes and to urge that they promptly report suspicious schemes to law enforcement authorities. Finally, educational programs sponsored by the private sector should complement the government’s efforts to extend the delivery of financial products/services to areas outside Metro Manila					
10.1 Improve educational initiatives based on experience gained	10.1.1 Based on an evaluation of on-going educational/public awareness campaigns, strengthen education and information campaign to educate, inform, enlighten, and instill among the citizens the benefits of investing and developing the Philippine capital market through savings and long-term investments in enterprises selling various market instruments such as commercial papers, bonds, shares of stocks, and government securities.	2010	Resource constraint	The Commission on Higher Education (CHED) recently approved to include a course on capital markets in the regular business curriculum by virtue of Memorandum Order 39. The said Memorandum is now being implemented in all state universities and colleges, private higher education institutions and local universities and colleges. PSE is also working with DepEd to institutionalize a stand alone Capital Markets subject for secondary education. PSE is also developing overseas Filipino investor program to attract overseas workers to invest in the stock market.	SEC, PSE, PDEX, FINEX
				The SEC likewise arranged, coordinated and conducted Student Orientation Programs for business students of various universities	
	10.1.3. Consider experimentation with novel programs (e.g. several countries have succeeded in disseminating basic knowledge about financial markets and virtues of savings/investing by means of	2006-2010		The PSE is currently producing capital markets video topics in cooperation with trading participants.	PSE, PDEX
	10.1.4 Study feasibility of introducing standardized system of investment ratings for the major types of securities products e.g., mutual funds, individual stocks and bonds. The objective is to come up with a series of product-specific ratings to enable individual investors to compare the relative risks/rewards associated with allocating savings to such particular products	2008		The BSP is taking the initiative to facilitate the establishment of a Credit Information Bureau which is intended to function as a central database of borrower information to allow banks to assess the credit worthiness of borrowers.	PSE, PDEX, SEC, BSP

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
	10.1.5. Banks with regional networks (and licenses to deal in securities), brokerage companies with regional representatives and mutual funds with extended distribution networks to take the lead in promoting investor education along with the development of new business opportunities outside metro Manila	2007-2010		PSE now conducting road shows in major cities (Davao, Cebu, Baguio, Batangas)	PSE, PDEX, ICAP
Objective No. 11--Governance structures of entities that support the NBFS—either by delivering investment services or financing capital needs through the sector--shall utilize independent directors to guard against self-dealing by corporate insiders and other forms of corporate fraud and deception. Additionally, feasible and effective enforcement remedies (including private rights of action) must exist to redress potential abusive practices by corporate managers.					
11.1 Promote adoption and implementation of Revised OECD Corporate Governance Principles (<i>Principles II</i>)	11.1 SEC will promote enhanced use of external safeguards to provide effective enforcement of minority shareholders' rights against potential abuses by controlling shareholders including:				SEC
	- Where corporate boards of directors are dominated by independent directors, ensuring that they operate in a manner generally consistent with the recommendations of OECD <i>Principles II</i> ; and				
	- Instituting legal remedies that would allow minority shareholders to enforce their ownership rights and recover the costs attendant to doing so.				
11.2 Strengthen the role of Independent Directors and compliance officers	11.2.1. Conduct a survey of covered companies and independent directors to document costs, benefits, and lessons learned to date	2007		The Commission issued MC No. 2 s.2007 dated August 9, 2007 directing all publicly-listed companies to participate in the Corporate Governance Survey using the CG scorecard. The CG scorecards are currently being validated by the Institute of Corporate Directors.	SEC

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
	11.2.2 Conduct a survey and document the universe of potentially qualified independent directors as well as how the current independents actually function today	2008	Resource constraints		SEC
	11.2.3 Require the boards of clearing agencies to include at least three independent directors and where the clearing agent is majority owned by an exchange, three of the independents from the exchange board might also be nominated for the clearing agent's board.	2008		Adopted by the PSE. The three independent directors of the PSE are also independent directors of the SCCP Board	PSE, PDEX
	11.2.4 Implement certification procedures for at least one officer or director of financing companies, investment houses, fund managers, distributors and mutual fund/investment companies and pre-need plan companies certified by examination as compliance officer	2004		SEC issued memorandum circular imposing this requirement. Note only applied to largest financing companies in terms of capitalization	SEC
	11.2.5 Extend requirement to government securities dealers	2005		SEC extended requirement to Government Securities Dealers in 2005.	
11.3 Provide for adequate remedies to address corporate malfeasance	11.3.1. Support the passage of amendments to the Corporation Code to	2006-2008			SEC
	- enhance minority shareholder rights;				
	- institutionalize basic principles and practices of basic corporate governance, provide remedies for corporate malfeasance, misfeasance, or nonfeasance; and				
	- enhance the power of the Commission relative to the enforcement of the Corporation Code relating to the issuance of cease and desist orders (CDO) and/or revocation orders;				

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of January 2008	Responsible Agencies
	11.3.2. Place on SEC website changes in beneficial ownership of officers, directors and principal shareholders of public companies	2008	Resource constraint	PSE currently requires online submission of disclosure for officers.	SEC, PSE
11.4 Define course and timeline for corporate governance program	11.4. Prepare discussion paper that explains the rationale for any proposed changes in the Philippine corporate governance regime including	2008		SEC requires covered corporations to disclose in its annual reports to the SEC which provisions of their manual on corporate governance they have not complied with.	SEC
	- enforcement process and sanctions to address prolonged or repeated non-compliance with corporate governance requirements				
	- review of the experiences of other countries in the region that follow an OECD corporate governance framework, including methods for documenting the costs and benefits of such program				

[1] Partial dematerialization refers to the issuance of securities in uncertificated form where investors have the right to request a physical certificate after the IPO or after the settlement of his or her purchase.

[2] The bill aims at creating an environment conducive to the development of the industry by ensuring adequate protection for investors through proper regulation; mobilizes the funds of small investors, thereby widening the base of financial resources; and promotes the development of long-term sources of funds.

[3] The Revenue Integrity Protection Service of the DOF may seek an outright exemption from the Bank Secrecy Law to be able to examine the bank records of Bureau of Customs and Bureau of Internal Revenue officials suspected of corruption (August 19, 2004 edition of the Philippine Daily Inquirer, at B.1)

[4] The cease and desist remedy set forth in SRC Section 53.3 does not contain any reference to the power to freeze assets pending completion of an investigation.

* Strategic initiatives were identified in a background study that led to the adoption of the Blueprint. These initiatives have been agreed to by key stakeholders (identified as responsible agencies above). In addition, new initiatives, identified by key stakeholders, have also been incorporated into the Action Plan.