

**Capital Market Development Plan (Blueprint)
Progress Report
(As of September 30, 2007)**

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of September 2007	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. 1.2 Monitoring progress on the Blueprint's implementation	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
	1.2.1. 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)			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
	2.1.2. Government to support policies to increase the national savings rate and facilitate financial intermediation	Ongoing			DOF

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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. 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	Ongoing until legislation adopted Target for legislation to be enacted by 2010 2008	Resource constraints	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 SEC, BIR, CMDC

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	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.	PSE				
	4.1.2. Review public float requirement (amount, enforcement, including impact on minority shareholders);	Study – 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, SEC		
	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 has proposed a rule that requires listed companies to disclose their public float – SEC reviewing (2006)	PSE, SEC
	4.1.4. Rationalize the size of the minimum "board lot" in selected securities. - 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.	Study 2006 Implementation 2007							

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4.2. a. Enhance listing on the exchange	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		The PSE approved the revised rules on short selling which was submitted to SEC for consideration. The SEC relayed its comments on the proposed revisions.	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, PSE
	4.2.1. Encourage new listings of securities - 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	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, P r diversity, Active Marketing, I nvest haven of choice, Liquidity and E nhanced earnings for all. The PSE discussed with BOI officers to encourage BOI-registered companies to offer to the public and list their shares at PSE.	PSE
	4.2.2. PSE to review and revise its value proposition to the issuer community and underwriters.	2007		PSE is developing a marketing kit. The PSE management has submitted to the PSE Board of Directors amendments to its Rules on Listing By Way Of Introduction for adoption to give more flexibility for companies to have their shares listed in the PSE.	PSE
	As of September 2007, two (2) PEZA/BOI company have listed.				

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4.2.b Expand range of traded products	<p>- 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.</p> <p>- 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.</p>				
	<p>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;</p>	2006-2007		<p>Real Estate Investment Trust (REIT) bill was filed as SB 63 on June 30, 2007 by Sen. Edgardo Angara and HB 148 by Rep. Sonny Angara. Atty. Lim of the PSE was appointed as Chair of REIT, PERA, CISL and CISA technical working groups in the Senate.</p> <p>The PSE organized a TWG composed of PSE, BIR, SEC and representatives from real estate industry to work on the legal feasibility of introducing REIT products in the local market.</p> <p>PSE has enhanced capacity of business development unit. 2006</p>	PSE
	<p>4.3.4 Strengthen the Business Development Department to enforce plans of newly created Task Force handling new products</p> <p>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</p>				
	<p>- PSE to submit proposed amendments for SEC approval</p> <p>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</p>	<p>Rule 2008</p> <p>Study 2006-2007 Submit to DOF 3Q 2007</p>		<p>The PSE is currently reviewing its Rules on Listing by Way of Introduction taking into consideration global best practices.</p> <p>The PSE proposed to the CMDC that the Second Financial Sector Taxation Study amendments include the abolition of the IPO Tax, and the abolition or reduction of the STT.</p>	<p>SEC</p> <p>SEC/PSE</p>

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4.3 Address conflicts of interest risks arising from Exchange governance concerns	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
	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.	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 - establish a state-of-the-art technology platform for trading as well as clearance and settlement;	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
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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	<ul style="list-style-type: none"> - settlement mechanism that expands delivery versus payment process - recording of ownership to beneficial owner level; and - adequate capability to manage and conduct an effective surveillance and compliance unit 	<ul style="list-style-type: none"> Establishment of qualified professional investor market 2007 Establishment of retail market 2007 	<ul style="list-style-type: none"> DvP now confined to GSEDS registered with BSP and BTR ROSS 	<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.</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.</p> <p>PDTC system capable of recording beneficial ownership level as depository (name-on-depository) and as registry. PDEX rules on compliance was 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>	

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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>PDEX sanction rules have been filed with the SEC and are currently under review.</p> <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 SBL 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> <p>The PDEX adopted the securities lending program for its trading participants which the SEC approved in December 2006</p>	PDS group
	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.	PDEX, SEC
	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

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4.7 SEC will promote investor protection through an SRO	<p>4.7.1. PDEX to be registered as an SRO.</p> <p>4.7.2. SEC to adopt an SRO framework for oversight of participants in the OTC bond market</p> <p>- 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.</p> <p>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.</p>	<p>2006</p> <p>2006 (adoption of SRO rules)</p> <p>2006</p>		<p>SEC registered PDEX as an SRO over inter-dealer market in July 2006.</p> <p>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.</p> <p>OTC Rule being reviewed and finalized</p>	<p>SEC, PDEX</p> <p>SEC</p>
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	<p>4.9.1 Conduct a brief study of the public offering process for corporate debt</p> <p>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</p> <p>4.9.3. Provide issuers with a short "how to do it" publication in order to facilitate public offerings of debt by corporate issuers.</p>	<p>[1st Half 2007]</p> <p>2007</p> <p>2007</p>		<p>PDEX Listing and Enrollment Rules for Public Market is due for submission to SEC by 4th quarter 2007.</p> <p>Primer on admission of corporate debt issues for trading to be published once Rules have been finalized and approved.</p>	<p>PDEX</p> <p>PDEX</p>

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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			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, 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
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

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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		<p>PDTC system linked with PDEX and SCCP systems providing post-settlement disposition of equities and debt securities</p> <p>The re-alignment process between the Settlement Banks is now via Real Time Gross Settlement (RTGS) instead of via manager's check.</p> <p>Likewise, SCCP has launched to clearing members RTGS as a means of settling their due clearing obligations. Some brokers (mostly foreign) are already paying via RTGS.</p>	PDEX, PDTC, PSSC, BTR, SEC, BSP, PSE, SCCP
	- Migrate from checks to electronic payment system;	2008			
	- Expand Delivery vs Payment coverage to beneficial owner level and across all instrument types;	2008		PDEX already capable of DvP at beneficial owner level	
	- 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	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			PDEX, PSE	
4.13.3. PDTC/PASTRANET and SCCP to develop interface requirements to settle PSE trades.	2006			<p>PASTRA has yet to fully operationalize the Electronic Direct Registry (EDR).</p> <p>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.</p>	PDTC, PASTRANET, SCCP

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Phase 2 Full Dematerialization	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
	4.14.6. PDEX and PSE to list only dematerialized securities.	2005 (gov't securities) 2007 (corporate debt) 2009 (equities)			PDEX, PSE, SEC (to approve)
	4.14.7 Rules adopted to implement full dematerialization	2009			SEC
4.15 Enhanced investor protection in dematerialized environment	4.151. 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
	4.15.2 - SEC to issue regulatory framework for securities custodians	2008	Resource constraints	Agreement signed in Dec. 2005	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			BTr, PDS
	- Study on feasibility of STP for equities to be undertaken	2007			PSE, SCCP

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	<p>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.</p> <p>4.15.5 Exchanges to organize securities lending program for debt and equity securities</p>	<p>2006</p> <p>2006-2007</p>		<p>SEC adopted securities borrowing and lending rules on June 2006.</p> <p>The SEC approved in November 2006 the Securities Borrowing and Lending Rules of PSE while the Securities Lending Program of PDEX was approved in December 2006.</p> <p>BIR issued Revenue Regulation No. 10-2006 dated June 23, 2006 on the tax treatment of securities transactions involving PSE listed securities and Revenue Regulation No. 5-2007 dated March 6, 2007 for the tax treatment of securities transactions involving securities listed in the PDEX</p>	<p>SEC</p> <p>PDEX, PSE, BIR</p>
<p>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</p>					
<p>5. Develop Business continuity Plans.</p>	<p>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</p>	<p>Formation of an inter-agency task force 2007</p> <p>Design of disaster recovery plan by 2008</p>		<p>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.</p> <p>SCCP has prepared its BCP.</p> <p>PDEX has prepared BCP</p> <p>The SEC has drafted its own BCP</p>	<p>PSE, PDEX, SEC BSP, PDIC</p>
<p>Chapter 3 – Objectives Requiring Support from the SEC and other Financial Sector Regulators</p>					
<p>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</p>					

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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.		SEC, DTI
	-- 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. - Fashion an appropriate regulatory strategy to deal with novel products, including futures instruments and other derivative products, and related capacity enhancement		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
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

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	<ul style="list-style-type: none"> - Establish Secretariat - Ensure consistency of rules and regulations intended for promoting a level playing field; - 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. <p>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.</p>	2006-2010	<p>EO may be needed.</p> <p>Resource constraints</p>	<p>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</p> <p>BSP and SEC closely coordinating supervision of dually regulated entities (reporting, joint audits), developing and implementing RBCA standards.</p> <p>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.</p> <p>Participated in consultative meetings with PSE regarding Exchange-Traded Funds and Real Estate Investment Trusts.</p>	FSF members

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				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.	
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	<p>7.1. Government to advocate for amendments to the SRC to reinforce SEC's enforcement powers</p> <p>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</p> <p>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]</p> <p>7.1.3 Amend SRC to enable SEC to obtain freeze orders in appropriate circumstances.[4]</p>	2007		<p>SEC preparing draft amendments to Section 6.2 of the Securities Regulation Code (SRC) to delete extraordinary diligence standard.</p> <p>The SEC departments are actively drafting amendments to the SRC.</p> <p>SEC preparing amendments to relevant laws.</p> <p>SEC preparing amendments to Section of the SRC</p>	SEC
7.1 b. Promote more effective coordination with Legislature	<p>7.1.4- SEC to appoint a legislative liaison officer to coordinate advocacy efforts within SEC and with both Houses of Congress</p> <p>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.</p>		<p>Resource constraint</p> <p>Requires new organizational positions to be created and related capacity enhancement. Resource constraints.</p>	<p>Office of General Counsel currently performs coordination role</p> <p>ERID-SEC preparing proposals.</p>	SEC

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of September 2007	Responsible Agencies
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
	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 Training Implementation 2007-2010	Resource constraints	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
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.					
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. Transitional relief was however granted to non-publicly accountable entities and mining companies with long-term hedge contracts. Recent issuances of the IAS Board (IASB) which include interpretations, are continuously being adopted in the rules.	SEC

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of September 2007	Responsible Agencies
				<p>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.</p> <p>Coordinated the proposed conduct of public seminar on Updates in Philippine Financial Reporting Standards to be held in Cebu in November 2007</p>	
	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.	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.	
	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 September 2007	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 The Commission started the initiative by scheduling a Risk Management Training for its staff, to start in October 2007.	SEC, PSE

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of September 2007	Responsible Agencies
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	<p>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).</p> <p>9.1.2 SEC to work closely with PSE and PDEX on establishing closer linkages with regional exchanges</p> <p>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.</p>	<p>2007</p> <p>2007</p> <p>2006</p>		<p>SEC closely coordinating on harmonization initiatives by advising DOF on securities market related issues</p> <p>PSE recently participated in regional initiatives for cross border linkages.</p> <p>PSE is a member of the FIBV SEC now a signatory to Appendix B of the IOSCO MMU</p>	<p>DOF, SEC</p> <p>SEC, PSE</p> <p>SEC</p>
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					

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of September 2007	Responsible Agencies
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	<p>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.</p> <p>The SEC likewise arranged, coordinated and conducted Student Orientation Programs for business students of various universities</p>	SEC, PSE, PDEx, FINEX

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of September 2007	Responsible Agencies
	<p>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 radio shows)</p> <p>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</p> <p>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</p>	<p>2006-2010</p> <p>2008</p> <p>2007-2010</p>		<p>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.</p> <p>PSE now conducting road shows in major cities (Davao, Cebu, Baguio, Batangas)</p>	<p>PSE, PDEx</p> <p>PSE, PDEx, SEC, BSP</p> <p>PSE, PDEx, ICAP</p>
<p>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.</p>					
<p>11.1 Promote adoption and implementation of Revised OECD Corporate Governance Principles (<i>Principles II</i>)</p>	<p>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:</p> <ul style="list-style-type: none"> - 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. 				<p>SEC</p>

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of September 2007	Responsible Agencies
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
	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 SSCP 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.	SEC
11.3 Provide for adequate remedies to address corporate malfeasance	11.3.1. Support the passage of amendments to the Corporation Code to - enhance minority shareholder rights; - institutionalize basic principles and practices of basic corporate governance, provide remedies for corporate malfeasance, misfeasance, or nonfeasance; and	2006-2008			SEC

Objectives	Initiatives*	Target Date	Implementation Issues	Status as of September 2007	Responsible Agencies
11.4 Define course and timeline for corporate governance program	- 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;				
	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. 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.