

NOTICE TO THE PUBLIC

Subject: EXPOSURE DRAFT OF MEMORANDUM CIRCULAR ON THE GUIDELINES ON THE REDUCTION OF THE MINIMUM COMMISSION CHARGED BY STOCKBROKERS FROM TWENTY PESOS (Php 20.00) TO ZERO (Php 0.00)

The public is advised that the Commission *En Banc*, in its meeting held on 16 January 2024 resolve to expose the draft Memorandum Circular on the Guidelines on the Reduction of the Minimum Commission charged by stockbrokers.

The Commission hereby requests for comments, suggestions and/or inputs from all concerned on the proposed draft Memorandum Circular by submitting written comments on or before January 26, 2024 through email at msrds submission@sec.gov.ph and abcgonzales@sec.gov.ph with our proposed subject of **“COMMENTS ON THE PROPOSED MEMORANDUM CIRCULAR ON THE REDUCTION OF THE MINIMUM COMMISSION CHARGED BY STOCKBROKERS”**

Issued on 17 January 2024



SEC MEMORANDUM CIRCULAR NO. ____
Series of 2024

TO : ALL CONCERNED

SUBJECT : REDUCTION OF THE MINIMUM COMMISSION CHARGED BY STOCKBROKERS FROM TWENTY PESOS (Php 20.00) TO ZERO (Php 0.00)

WHEREAS, Section 1 of Presidential Decree 154 ("P.D. 154") states that no stockbroker using the facilities of any stock exchange shall charge, collect or receive a commission of more than 1% of the value of each transaction, whether a purchase or a sale, but in no case shall the commission be less than twenty (P20.00) pesos for a transaction;

WHEREAS, Section 2 of P.D. 154 provides power to the Securities and Exchange Commission ("SEC") to study and adjust from time to time the rate of commission established in Section 1 of P.D. 154 to conform with prevailing market conditions when the same is necessary in the public interest but in no case shall the change of rate be more than once in one year;

WHEREAS, on 14 December 1977, the Commission, after assessing the result of the public hearing during which no opposition from the public was observed, and after considering of the arguments submitted by the petitioner, the Philippine Association of Securities Brokers and Dealers (PASBDI), which included argument on the increase in costs of operations of broker dealers since P.D. 154 was issued on 14 March 1973, in its session held on December 14, 1977, resolved to allow the increase in the broker's commission from 1% to 1 ½%;

WHEREAS, R.A. No. 11765 or the Financial Products and Services Consumer Protection Act (FCPA), which took effect on 03 June 2022, financial regulators, including the SEC, are provided the power to determine the reasonableness of interest charges or fees which a financial service provider may demand, collect, or receive for any service or product offered to a financial consumer;

WHEREAS, Republic Act No. 10667, otherwise known as the Philippine Competition Act, promotes unencumbered market competition in order to not only foster economic vitality but also to champion the interests of consumers by empowering

them to freely exercise their right of choice over a diverse array of goods and services available in the market;

WHEREAS, Republic Act No. 8799 or the Securities Regulation Code (SRC), grants the power to the SEC to regulate and supervise the various capital market professionals and their products, services, and other market-related activities;

WHEREAS, based on records, capital market professionals such as the brokers have adopted the use of online trading platforms that enable them to execute their trades, thereby resulting in a more cost-efficient execution of transactions;

WHEREAS, in view of these recent developments in the utilization and application of technology by brokers, there is a need to reflect the resulting cost-efficiency by way of reducing or eliminating the minimum commission charged by brokers and allow brokers to set their own commission schedule without the constraint of a prescribed regulatory minimum commission;

WHEREAS, the reduction or elimination of the said commission is deemed consistent with public interest and in boosting the volume of trades in the stock market as it encourages investors to actively participate and allow them to engage the services of a broker of their choice based on cost preference;

NOW, THEREFORE, the Commission hereby resolves to reduce the minimum commission charged by stockbrokers to its customers from the current absolute value of **TWENTY PESOS Php (20.00)** for each transaction, to **ZERO (Php 0.00)**.

This Circular shall take effect immediately upon completion of its publication in two newspapers of general circulation.

Done this ____, ____, 2024, Makati City, Philippines.

For the Commission:

EMILIO B. AQUINO
Chairperson