



For: All Clearing Members

Date: June 22, 2023

Subject: Proposed SCCP Rule on the Prohibition Against the Use of Other Clients' Shares Without Consent

The Securities Clearing Corporation of the Philippines ("SCCP") is inviting all Clearing Members to submit their comments on the proposed amendment to the Revised Clearinghouse Rules of SCCP ("SCCP Rules"):

"2.3.5. Prohibition Against the Use of Other Clients' Shares Without Consent"

Clearing Members warrant that they will only deliver securities to their respective Securities Settlement Accounts for the purpose of settlement, pursuant to their clients' instructions. For avoidance of doubt, Clearing Members shall not use the shares of another client for the settlement of a different client's securities obligations, unless duly authorized pursuant to a Securities Borrowing and Lending arrangement.

Any violation of the foregoing, based on the findings of CMIC, shall warrant the imposition of the prescribed penalties under Section 2.5.1 on Causes of Suspension or Termination."

The above proposed rule is in line with existing rules on unauthorized use of client shares by brokers under SRC Rule 26.3.4 and Art. XI(B), Sec. 1(h) of the Rules of the Capital Markets Integrity Corporation ("CMIC").

SCCP and CMIC have entered into a Memorandum of Agreement ("MOA") with the view of enforcing the above proposed rule, once approved. In this MOA, CMIC shall exercise monitoring or audit functions to determine if SCCP's Clearing Members are using the shares or funds of clients without proper authorization. Thus, SCCP shall coordinate with, and rely on CMIC's monitoring or audit functions to determine such violation, as reflected in the above proposed amendment which provides that violations of the rule are "based on the findings of CMIC."

Given that a violation of the above proposed SCCP Rule may also be considered a violation of the rules of CMIC, the MOA expressly provides that SCCP and CMIC "shall coordinate to ensure that there will be no double imposition of penalties arising from the same offense or violation."

Clearing Members may submit their comments and requests for clarifications by e-mail addressed to both **Ms. Renee D. Rubio (coo@sccp.com.ph)** and **Atty. Maximo Paulino T. Sison III (mtsison@pse.com.ph)** until **JULY 3, 2023**.

Very truly yours,

(Original Signed)
Renée R. Rubio
Chief Operating Officer