Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 6
Series of 2017

TO : **ALL BROKER DEALERS IN SECURITIES**

SUBJECT : **GUIDELINES ON THE SUBMISSION OF THE ANNUAL REPORT ON SEGREGATION OF FUNCTIONS (CHINESE WALLS)**

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In order to effectively implement Rule 34.11 of 2015 Implementing Rules and Regulations of the Securities Regulation Code (2015 SRC Rules) which requires Broker Dealers to submit an annual report on the measures it has taken to enforce Chinese Wall Rules, the Commission in its meeting on March 9, 2017, resolved to issue the following guidelines:

Section 1. Coverage of the Report.

All policies, procedures, investigations, violations pertaining to Chinese Wall of the preceding year shall be submitted to the Commission and SRO not later than the 15th day of March of the succeeding year. For this year the deadline of submission shall be no later than March 31, 2017.

Section 2. Information required to be disclosed in the annual report on Chinese Wall.

The annual report on Chinese Wall shall contain the following information:

a. The different units in the company and the persons in charge in the flow of information.
b. Policies and procedures or system employed by the firm to prevent improper or unintended dissemination of market sensitive information and misuse or inappropriate flow of material, nonpublic information.
c. Any investigation, violation or attempt to violate Chinese Wall policies and procedures, including the action taken by the firm.
d. Dissemination of the Chinese Wall policies and procedures to employees.
e. Any updates on the Chinese Wall policies and procedures.

Section 3. Template of the report.

Attached as Annex A (SEC Form 34.11 AR) is the template for the annual report on Chinese Wall.

Section 4. Signatory to the Annual Report on Chinese Wall.

The Annual Report on Chinese Wall required to be submitted under Rule 34.11 of the 2015 SRC Rules shall be signed by the Associated Person and duly noted by the President.

Section 5. Undertaking to comply with the rules and regulations.

The provision of SRC Rule 34.11.5 requiring Broker Dealers with other functions to submit an undertaking under oath to comply with the rules and regulations, orders, memorandum circulars

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and policies promulgated by the Commission, and of other rules, procedures, standards and policies set by other Exchanges or SRO and duly approved by the Commission, and its own internal rules and procedures regarding Chinese Walls shall likewise be signed by the Associated Person and the President and submitted together with the Annual Report on Chinese Wall every 15th day of March. For this year the deadline of submission shall be no later than March 31, 2017.

Section 6. Penalty.

Non-compliance with any of the provisions of SRC Rule 34.11 shall be considered a violation subject to the administrative sanctions provided in Section 54 of the Code.

Section 7. Effectivity.

This circular shall take effect immediately upon approval of the Commission.

Pasay City, Philippines, March 17, 2017.

For the Commission:

TERESITA J. HERBOSA
Chairperson

Securities and Exchange Commission
PHILIPPINES

ANNUAL REPORT ON CHINESE WALL RULES (SRC Rule 34.11)
For the Year _____

Broker Dealer Name: _____

1. Check the applicable boxes:

☐ Broker ☐ Dealer ☐ Mutual Fund Distributor ☐ Others _____ _____	Deal with: ☐ Equity Securities ☐ Proprietary Shares ☐ Fixed Income/Debt Securities ☐ Non-Proprietary Shares ☐ Government Securities ☐ Mutual Fund Do you have any of the following: ☐ Retail Sales ☐ Research ☐ Settlement ☐ Others,_____ ☐ Institutional Sales ☐ Advisory ☐ Accounting

2. What are the distribution units in the flow of information in the company? Indicate the persons in charge.

_____
_____
_____
_____

3. What are the procedures in handling the flow of information between the different units in the company?

_____
_____
_____
_____
_____

4. What are the policies in terms of getting the advance information from the research unit vs. the dealer's unit?

_____
_____
_____
_____
_____

5. What are the policies and procedures when employees of another unit are "brought over the wall"?

_____
_____
_____
_____
_____

6. What are the measures undertaken so that the information are not misuse?

_____
_____
_____
_____
_____

7. Has there been any instance in the year covered that there was a violation/attempt to violate SRC Rule 34.11? Provide the details.

_____
_____
_____
_____
_____

8. What has been done to enhance the Chinese Wall Policy of the company?

_____
_____
_____
_____
_____

9. How are policies and procedures relating to Chinese Wall and the use of material non-public information made aware to employees? Are trainings/updates to employees conducted? Give details.

_____
_____
_____
_____
_____

10. Provide information on other policies/procedures relevant to Chinese Wall that were not mentioned above.

_____
_____
_____
_____
_____

Prepared by: _____ Date: _____
Signature over printed name

Designation: _____

Approved by: _____ Date: _____
Signature over printed name

Designation: _____