REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila

SEC MEMORANDUM CIRCULAR NO. 13
SERIES OF 2004

SUBJECT : Amendments to Rule 34.1 and Rule 38 of the Implementing Rules and Regulations of the Securities Regulation Code (SRC)

The Commission, in its SEC-EXS Resolution No. 104, Series of 2004, dated 31 August 2004, amended paragraph (1)A(1)(b) of SRC Rule 34.1. The amended paragraph reads as follows:

SRC Rule 34.1 – Segregation and Limitation of Functions of Members, Brokers and Dealers
[formerly SRC Rules 34.1-2 and 34.1-3]

"1. Segregation of Broker and Dealer Function. Affiliations and Practices.

A. xxx xxx xxx

1. xxx xxx xxx:

a. xxx xxx xxx;

b. When the Member-Broker holds an unexecuted customer's Order with priority (pre-existing order), then any Broker's Order that **takes precedence over the pre-existing order shall better the pre-existing highest bid or lowest offer from a customer by at least one (1) fluctuation or such other number of fluctuations that the Commission, by Order, may set from time to time.**

xxx xxx xxx"

Furthermore, the Commission, in its SEC-EXS Resolution No. 88, Series of 2004, dated 10 August 2004 and Resolution No. 537, Series of 2004, dated 7 October 2004, resolved to amend paragraphs 2(E) and 2(F) of SRC Rule 38. The amended paragraphs read as follows:

SRC Rule 38 – Requirements on Nomination and Election of Independent Directors
(formerly, SRC Rule 38.1 – Definition of "Independent Director")

"1. xxx xxx xxx

"2. xxx xxx xxx

xxx xxx xxx

E. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last **two (2)** years;

F. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last **two (2)** years; or

xxx xxx xxx"

These amendments shall take effect fifteen (15) days from their publication in a newspaper of general circulation in the Philippines.

Signed this 21st day of October 2004, Mandaluyong City, Philippines.

For the Commission:

EDUARDO B. BARIN
Chairman