



FUND MANAGERS ASSOCIATION OF THE PHILIPPINES, INC.

Statement of Support

SEC Draft Memorandum Circular on the Term Limit of Broker Directors of an Exchange

March 17, 2026

The Fund Managers Association of the Philippines, Inc. (“FMAP”), whose members collectively manage approximately Php8.0 trillion in assets on behalf of the investing public, supports the SEC’s proposed Memorandum Circular imposing term limits on broker directors of an exchange. FMAP has submitted a detailed Position Paper to the Commission. The following is a summary of its key points.

WHY FMAP SUPPORTS THE PROPOSAL

- Exchange governance is a public interest matter. The Philippine Stock Exchange is not an ordinary private corporation. It performs self-regulatory and market-governance functions that directly affect the fairness, credibility, and direction of our capital markets. Board composition at the exchange level is therefore a concern of all market participants.
- Prolonged concentration of board seats raises legitimate governance concerns. Reports indicate that some directors have served for over two decades. Even without any actual misconduct, this degree of continuity can undermine perceptions of openness, balanced representation, and willingness to embrace reform.
- The proposal is moderate and well-calibrated. The draft circular provides for one-year terms, a maximum cumulative service of ten years, and a two-year cooling-off period after five cumulative years. It is a structured mechanism that preserves broker participation while ensuring periodic renewal.
- The reform closes a gap in the existing governance framework. Term limits already apply to independent directors and to sectoral directors of the exchange. Broker directors are currently the only category without tenure limits. Extending the same principle to broker directors is a matter of consistency and fairness.
- International standards and assessments point in the same direction. IOSCO’s Objectives and Principles of Securities Regulation emphasize regulatory oversight of self-regulatory organizations, conflict-of-interest management, and fair rules that balance the interests of different market participants. The OECD’s 2024 Capital Market Review of the Philippines found that the country ranks among the lowest of its ASEAN peers on governance indicators and specifically called for stronger enforcement of governance standards and greater separation of the exchange’s regulatory and commercial functions.

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FMAP's Key Recommendations

While supporting the proposal, FMAP has offered the following recommendations to the SEC:

1. Adopt the circular substantially as proposed. The ten-year cumulative cap and the cooling-off mechanism are reasonable and should be retained.
2. Encourage broader and more transparent nomination processes for broker-director seats, so that qualified candidates from a wider range of broker-dealers have a realistic opportunity to serve.
3. Complement term limits with broader governance safeguards, including continued pursuit of the OECD's recommendation to more clearly separate the exchange's regulatory and commercial functions.
4. Retain the transitory provision allowing incumbent broker directors to complete their current terms, avoiding unnecessary disruption while ensuring reform takes hold.
5. Invest in capacity-building for the next generation of broker-director candidates through training programs and governance mentoring.

A REFORM THE MARKET NEEDS

The Philippine capital markets are at a critical juncture. We compete for domestic savings, institutional allocations, and long-term capital in an environment of increasing alternatives. Governance credibility at the exchange level is not merely a boardroom issue. It is a market development issue. When pension funds, mutual funds, and other fiduciary pools of capital look at the Philippine market, they need to see institutions that are open, accountable, and periodically renewed.

FMAP respectfully urges the Commission to adopt the proposed circular. This is a credible, visible, and structural reform that advances investor protection, promotes better governance of our market institutions, and helps strengthen confidence in the Philippine capital markets.

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The full Position Paper has been filed with the Securities and Exchange Commission.