



## **Joint Statement of Support for the SEC Draft Memorandum Circular on Term Limit of Broker Directors of an Exchange**

March 19, 2026

We, the undersigned Philippine Business Groups, express support for the Securities and Exchange Commission's (SEC) draft memorandum circular proposing term limits for broker directors of a securities exchange.

We recognize the SEC's continuing efforts to strengthen governance and safeguard investor confidence in the Philippine capital markets. In this context, we respectfully submit that the introduction of reasonable tenure limits for broker directors would represent a constructive step toward reinforcing independence, reducing potential conflicts of interest, and enhancing the credibility of our securities exchange system.

Securities exchanges are not ordinary corporations. Under the Securities Regulation Code (SRC), they function as self-regulatory organizations (SROs) with responsibilities that include monitoring trading, supervising brokers, enforcing rules, and preventing market manipulation. Because exchanges regulate market participants, their governance structures directly affect fairness and credibility. Oversight of exchange governance is therefore a matter of public interest.

The SRC vests the SEC with broad authority to register, supervise, and regulate securities exchanges, including the governance frameworks that underpin their integrity and effective operation. Within this mandate, the introduction of term limits for broker directors is a prudent and well-calibrated exercise of oversight, directly addressing the risks of undue influence, regulatory capture, and conflicts of interest inherent in self-regulatory organizations.

Term limits do not diminish shareholder choice—they activate it. They ensure that the right to vote is exercised on a continuing basis, with stockholders periodically selecting from among other qualified brokers to bring fresh perspectives and renewed accountability to the board.

The Revised Corporation Code (RCC) sets general rules for corporate governance but does not restrict regulators from imposing stricter standards on entities with public responsibilities. Financial institutions and listed companies already comply with enhanced governance requirements. Securities exchanges, given their regulatory role, must likewise adhere to safeguards that ensure independence and accountability.

Philippine jurisprudence recognizes that regulatory agencies possess implied powers necessary to fulfill their statutory mandates. Governance arrangements that affect the independence and effectiveness of exchange oversight clearly fall within the SEC's regulatory scope.

Term limits for broker directors serve four critical objectives:

- **Preventing concentration of influence** by long-serving directors.
- **Reducing regulatory capture** through board renewal.
- **Enhancing investor confidence** by ensuring credible and independent oversight.
- **Giving other brokers a chance to serve** on the board of exchanges, thereby bringing in new perspectives and insight into the governance of exchanges.

Global financial markets widely adopt tenure limits and independence requirements for exchange boards. These measures safeguard against entrenched interests and reinforce the integrity of exchanges as both market operators and regulators.

The SRC requires fair representation of exchange members, but this must be balanced with the broader public interest. Reasonable tenure limits preserve broker participation while preventing indefinite dominance by a small group of market participants.

The SEC's proposal to introduce term limits for broker directors represents a constructive governance reform consistent with its supervisory authority under the SRC. Securities exchanges perform critical regulatory functions in the capital markets, and their governance structures must be designed to safeguard independence, prevent conflicts of interest, and maintain investor confidence.

Principles of administrative law and international best practices support the authority of regulators to adopt governance safeguards necessary to achieve these objectives. In this context, the proposed circular introducing reasonable term limits for broker directors would be a valuable step toward reinforcing the integrity and resilience of the Philippine capital markets.

We express our appreciation for the SEC's continuing efforts to strengthen governance and protect the public interest.

**INSTITUTE OF CORPORATE DIRECTORS (ICD)  
FINANCIAL EXECUTIVES INSTITUTE OF THE PHILIPPINES (FINEX)  
MANAGEMENT ASSOCIATION OF THE PHILIPPINES (MAP)  
CAPITAL MARKETS DEVELOPMENT FOUNDATION, INC. (CMDFI)  
INVESTMENT HOUSE ASSOCIATION OF THE PHILIPPINES (IHAP)**