

**MEMORANDUM BSD 17 – 034**

TO : **ALL OFFICERS AND STAFF**

FROM : **BUSINESS SYSTEMS DIVISION**

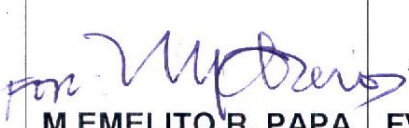
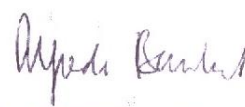

SUBJECT : **ANNUAL REPORTING ON CHINESE WALL RULES**

DATE : **JULY 25, 2017**

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The Securities and Exchange Commission (SEC) requires the Bank to submit an annual report on Chinese Wall Rules to ensure proper segregation of the front office and the back office functions which aims to prevent exchanges or communication within the Bank that could lead to conflicts of interest.

The OPPM re: Annual Reporting on Chinese Wall Rules is hereby released for proper guidance of units and branches.

Recommended by:	Endorsed for Approval:	Approved for Implementation:
 <b>M EMELITO R. PAPA</b> Department Head	 <b>FVP ALFREDO J. BAUTISTA</b> Division Head	 <b>SVP EDWARD DENNIS J. ZSHORNACK</b> Group Head

<b>ACTIVITY : TREASURY</b>	Reference Code: TRY – 06.03
<b>SUB – ACTIVITY: TREASURY MARKETING AND SALES</b>	Version No. : 1 – 07/25/2017
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## I. ACTIVITY DESCRIPTION

A “*Chinese Wall*” refers to an ethical barrier within the Bank placed to prevent exchanges or communication that could lead to conflicts of interest.

On an annual basis, the Securities and Exchange Commission (SEC) requires that an **Annual Report on Chinese Wall Rules** be submitted by the Bank.

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## II. POLICY GUIDELINES

1. Any issuance, investigation, and/ or violation from the preceding year (January to December) that is associated to Chinese Walls shall be reported annually to SEC. The report should be submitted by Compliance Division not later than the 15<sup>th</sup> day of March of the succeeding year.
  2. The annual report on Chinese Walls contains the following information:
    - 2.1. The concerned units in the Bank and the persons in charge in the flow of information.
    - 2.2. Policies and procedures or systems employed by the Bank to prevent improper or unintended dissemination of market sensitive information and misuse or inappropriate flow of material, nonpublic information.
    - 2.3. Any investigation, violation, or attempt to violate Chinese Wall policies and procedures, including the actions taken by the Bank.
- (To see the template of the report, refer to **Exhibit No. 1**)
3. Treasury Marketing and Sales Division – Brokering Department (TMSD – BD) Head is responsible for the accomplishment and submission of the said annual report to Compliance Division on or before the 10<sup>th</sup> day of March of the succeeding year.
  4. The Annual Report on Chinese Walls must be signed by the TMSD – BD Head, Compliance Division Head and duly noted by the President.

## SEGREGATION OF FUNCTIONS

5. The Bank shall segregate duties of the front office and the back office functions. The dealers in the front office are primarily responsible for transacting and managing positions. In this regard, the settlement and confirmation of transactions, the recording of contracts in the accounting system, the revaluation of positions, the reconciliations and procedures required to avoid errors, and other related processes in the back office shall be performed outside the dealing room to ensure objectivity and to prevent manipulation or fraud.\*

\*BSP Circular 899: Treasury Activities of BSP Supervised Financial Institutions (BSFIs) and Amendments to the Qualifications of Directors and Officers - Section 1. §X602.1/4602Q.1 Treasury Operations

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6. A Broker Dealer with more than one function, and who engages in market making transactions, shall:
- 6.1. Maintain proper segregation of functions within the Bank to prevent flow of information between the concerned business units that perform functions which may have potential conflict of interest;
  - 6.2. Ensure that his trading functions and physical setup are properly segregated; and
  - 6.3. Disclose to the customer at or before the completion of the transaction that he is acting for his own account: Provided, further, that this fact shall be reflected on the trade ticket and the confirmation slip.

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### III. EXHIBIT

Exhibit No. 1

**Annual Report on Chinese Walls - Template**

**ANNUAL REPORT ON CHINESE WALL RULES (SRC Rule 34.11)**  
For the Year \_\_\_\_\_

Broker Dealer Name: \_\_\_\_\_

1. Check the applicable boxes:

<input type="checkbox"/> Broker  <input type="checkbox"/> Dealer  <input type="checkbox"/> Mutual Fund Distributor  <input type="checkbox"/> Others _____ _____	Deal with:  <div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> Equity Securities  <input type="checkbox"/> Fixed Income/Debt Securities  <input type="checkbox"/> Government Securities         </div> <div> <input type="checkbox"/> Propriety Shares  <input type="checkbox"/> Non-Proprietary Shares  <input type="checkbox"/> Mutual Fund         </div> </div> Do you have any of the following:  <div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> Retail Sales  <input type="checkbox"/> Institutional Sales         </div> <div> <input type="checkbox"/> Research  <input type="checkbox"/> Advisory         </div> <div> <input type="checkbox"/> Settlement  <input type="checkbox"/> Accounting         </div> <div> <input type="checkbox"/> Others         </div> </div>
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2. What are the distribution units in the flow of information in the company? Indicate the persons in charge.

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\_\_\_\_\_

\_\_\_\_\_

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 misused?

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\_\_\_\_\_

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.

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

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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.

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

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Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

Designation: \_\_\_\_\_

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_

Designation: \_\_\_\_\_

Noted by: \_\_\_\_\_

Date: \_\_\_\_\_

Designation: \_\_\_\_\_